EXECUTION VERSION

FIRST AMENDED AND RESTATED FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

of

American Equity Investment Life Insurance Company

and

Eagle Life Insurance Company

Names of Domestic Insurers (together, the "Domestic Insurers")

by

AMERICAN NATIONAL GROUP, LLC

ANG MIDCO I LLC

ANG TOPCO I LLC

BAMR US HOLDINGS LLC

BAMR US HOLDINGS (BERMUDA) I LTD.

BAM RE HOLDINGS LTD.

BROOKFIELD REINSURANCE LTD.

BAM RE PARTNERS TRUST

BAM RE TRUSTEE LTD.

PARTNERS FC LTD.

PARTNERS FC II LTD.

PARTNERS BK LTD.

JAMES BRUCE FLATT

and

BRIAN KINGSTON

Names of Acquiring Persons (collectively, the "Applicants")

Filed with the Iowa Insurance Division (the "Division")

Dated: December 14, 2023

Name, title, address and telephone number of individuals to whom notices and correspondence concerning this statement should be addressed:

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This First Amended and Restated Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer ("Application") seeks the approval of the Insurance Commissioner of the State of Iowa (the "Commissioner") pursuant to the requirements of Iowa Code Section 521A.3 for the acquisition of control of the Domestic Insurers by the Applicants (the "Proposed Acquisition").

This Application amends and restates in its entirety the Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer filed with the Division on August 16, 2023 (the "Original Application").

The Applicants have requested by separate letter dated August 16, 2023 confidential treatment and nondisclosure of certain information identified by an asterisk in the Index of Exhibits set forth in Item 12 herein (the "Confidential Information") based on Iowa Code §§22.7(3) and (6) and 505.8 and Iowa Administrative Code §§191-2.12(1) because the Confidential Information constitutes (1) trade secrets recognized and protected by law and (2) reports made to the Division which, if released, would give an advantage to competitors and serve no public purpose.

ITEM 1. INSURER AND METHOD OF ACQUISITION

(a) Domestic Insurers

The name and address of each of the Domestic Insurers to which this Application relates are:

American Equity Investment Life Insurance Company ("AEILIC")
6000 Westown Parkway
West Des Moines, Iowa 50266

Eagle Life Insurance Company ("Eagle")
6000 Westown Parkway
West Des Moines, Iowa 50266

The Domestic Insurers are Iowa domestic life insurance companies. Eagle is a direct, wholly owned subsidiary of AEILIC, which is, in turn, a direct, wholly owned subsidiary of American Equity Investment Life Holding Company, an Iowa corporation ("AEL Holdco"). AEL Holdco is listed on the New York Stock Exchange ("NYSE") under the trading symbol "AEL."

(b) Method of Acquisition

As of July 4, 2023, Brookfield Reinsurance Ltd. (f/k/a Brookfield Asset Management Reinsurance Partners Ltd.), a Bermuda exempted company limited by shares ("Brookfield Reinsurance"), beneficially owns an approximate 20.38% interest in AEL Holdco, through its wholly owned indirect subsidiaries North End Re (Cayman) SPC ("North End Re"), which, as of July 4, 2023, holds an interest of approximately 15.43% in AEL Holdco, and Freestone Re Ltd.

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("Freestone" and, together with North End Re, the "Brookfield Reinsurance Group Shareholders"), which, as of July 4, 2023, holds an interest of approximately 4.95% in AEL Holdco (such ownership, the "Initial Investment"). The Initial Investment was consummated pursuant to the Investment Agreement, dated October 17, 2020, by and among AEL Holdco, Brookfield Corporation (f/k/a Brookfield Asset Management Inc.) and Burgundy Acquisitions I Ltd.[1]

In connection with the Initial Investment, North End Re, together with BAM Re Holdings Ltd., Brookfield Reinsurance, BAM Re Partners Trust, BAM Re Trustee Ltd., Partners FC Ltd., Partners FC II Ltd. (f/k/a Partners FC Inc.), Partners BK Ltd., Brian Kingston and James Bruce Flatt (collectively, the "Prior Applicants"), submitted an application for the acquisition of control of the Domestic Insurers to the Iowa Insurance Division (the "Division") on March 1, 2021, which was amended and restated on September 9, 2021 and further amended and restated on September 27, 2021 (collectively, the "Prior Application"). The Prior Application was approved by the Commissioner on December 27, 2021 and the Prior Applicants were approved as control persons of each of the Domestic Insurers (the "Prior Approval").

On July 4, 2023, AEL Holdco, Brookfield Reinsurance, Arches Merger Sub Inc., an Iowa corporation and an indirect, wholly owned subsidiary of Brookfield Reinsurance ("Merger Sub"), and, solely for certain limited purposes, Brookfield Asset Management Ltd., a company incorporated under the laws of the Province of British Columbia ("BAM"), entered into the Agreement and Plan of Merger (the "Merger Agreement"), which provides that, upon the terms and subject to the conditions set forth therein, and pursuant to applicable provisions of the Iowa Business Corporation Act, at the effective time of the transactions contemplated thereby, Merger Sub will merge with and into AEL Holdco (the "Merger"), with AEL Holdco surviving the Merger as an indirect, wholly owned subsidiary of Brookfield Reinsurance (the "Surviving Company"). Following the consummation of the Proposed Acquisition, Brookfield Reinsurance will indirectly own 100% of the common shares of the Surviving Company, which will indirectly own 100% of the issued and outstanding shares of capital stock of each of the Domestic Insurers. BAM will not acquire, directly or indirectly, any interest in, or control or influence over, the Domestic Insurers as a result of the Merger or otherwise, and accordingly is not an Applicant under this Application. A copy of the Merger Agreement (and its exhibits) is attached hereto as Exhibit 1 and incorporated herein by reference.

At the effective time of the Merger, each issued and outstanding share of common stock, par value $1.00 per share, of AEL Holdco (each, an "AEL Holdco Common Share"), but excluding AEL Holdco Common Shares (a) held by holders exercising appraisal rights, (b) held by AEL Holdco as treasury stock, (c) held by Brookfield Reinsurance, Merger Sub or their subsidiaries, including Freestone, or (d) subject to AEL Holdco restricted stock awards, will be converted into the right to receive stock and cash as follows: (i) $38.85 per share in cash, without interest, subject to certain adjustments set forth in Section 3.01(e) of the Merger Agreement (the "Cash Consideration") and (ii) a number of fully-paid and nonassessable class A limited voting

[1] North End Re and Freestone are successors and assignees of Burgundy Acquisitions I Ltd. under the Investment Agreement.

shares of BAM ("BAM Class A Stock") equal to the Exchange Ratio,[2] subject to certain adjustments set forth in Section 3.01(e) of the Merger Agreement, and cash in lieu of fractional shares of BAM Class A Stock (the "Stock Consideration" and together with the Cash Consideration, the "Merger Consideration"). The Merger values AEL Holdco at approximately $4.6 billion.

The currently issued and outstanding shares of Series A and Series B preferred stock, each par value $1.00 per share, of AEL Holdco will be unaffected by the Merger and remain outstanding.

Consummation of the Merger is subject to satisfaction or waiver of customary closing conditions, including approval of the Merger by AEL Holdco's shareholders[3], expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act")[4], receipt of the regulatory approvals specified in the Merger Agreement, including the approval by the Commissioner of this Application, and the absence of any injunction or restraint making illegal or otherwise prohibiting the consummation of the Merger. Change of control filings, or equivalent exemption requests, have been filed with the Bermuda Monetary Authority and the domiciliary regulators of AEL Holdco's insurance company subsidiaries and captives domiciled in Arizona, Vermont and New York.

The foregoing summary of the terms of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement.

In connection with the Merger, the Applicants intend to undertake an internal reorganization in order to promote operational efficiency, enhance the group capital structure and consolidate post-closing ownership of AEL Holdco (the "Internal Reorganization"). Specifically, pursuant to the Internal Reorganization:

1. Prior to the Merger, ownership of the AEL Holdco Common Shares acquired pursuant to the Initial Investment will be transferred as described below to simplify and consolidate ownership of the Domestic Insurers following the Merger.

    - American National Group, LLC ("ANAT") will acquire 100% of the AEL Holdco Common Shares currently held by its direct wholly-owned subsidiary, Freestone (representing an approximate 4.95% interest in AEL Holdco as of July 4, 2023).

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2 The Exchange Ratio means: if the BAM Class A Stock price is (i) greater than $35.51, the quotient (rounded to five decimal places) obtained by dividing (x) $17.65 by (y) the BAM Class A Stock price; (ii) less than or equal to $35.51, but greater than or equal to $30.48, 0.49707; or (iii) less than $30.48, the quotient (rounded to five decimal places) obtained by dividing (x) $15.15 by (y) the BAM Class A Stock price.

3 AEL Holdco's shareholders approved the Merger at the Special Meeting of the Shareholders of AEL Holdco held on November 10, 2023.

4 Brookfield Reinsurance and AEL Holdco filed their respective notices under the HSR Act on August 16, 2023 and the 30-day waiting period expired at 11:59 p.m., ET, on September 15, 2023.

- BAM Re Holdings Ltd. ("BAM Re Holdings") will acquire 100% of the AEL Holdco Common Shares currently held by its direct wholly-owned subsidiary, North End Re (representing an approximate 15.43% interest in AEL Holdco as of July 4, 2023). Pursuant to Iowa Code Section 521A.3(1)(b), the Applicants are hereby providing the Commissioner with notice of North End Re's intent to divest its indirect controlling interest in the Domestic Insurers.

Prior to the Merger, BAMR US Holdings LLC ("BAMR US Holdings") will contribute 100% of the equity interests of ANAT ("ANAT Interests") to its direct subsidiary Topco (as defined below), who will in turn contribute the ANAT Interests to its direct subsidiary Midco (as defined below), in each case in exchange for equity issued by Topco and Midco respectively.

Attached hereto as Exhibit 3(a) is the abbreviated organizational structure chart of the Applicants immediately following completion of this Step 1 of the Internal Reorganization, but prior to completion of the Merger.

2. Immediately following, and on the same day as, the Merger, the transactions described below will be undertaken in order to implement the post-Merger holding company structure. Attached hereto as Exhibit 3(b) is the abbreviated organizational structure chart of the Applicants immediately following completion of the Merger.

    - BAM Re Holdings will transfer a number of AEL Holdco Common Shares representing an approximate 5% interest in AEL Holdco to ANAT.

    - ANAT will merge into the Surviving Company (the "Post-Closing Merger"), such that the surviving entity of the Post-Closing Merger is the Surviving Company (the "Surviving Holdco"). The Surviving Holdco will promptly thereafter be re-domiciled from Iowa to Delaware and will be renamed American National Group Inc. ("ANGI"). The Applicants have submitted Form A exemption requests to the domiciliary state insurance regulators of the insurance companies currently owned by ANAT in connection with the Surviving Holdco, Topco and Midco becoming controllers of such insurance companies as a result of this proposed merger. Approvals of the Form A exemption requests by such insurance regulators have been requested by the Applicants prior to closing of the transactions contemplated by the Merger Agreement (the "Closing"), but are not, nor would the failure to obtain them, on the requested terms or at all, contribute to the failure of, conditions to Closing.

    Attached hereto as Exhibit 3(c) is the abbreviated organizational structure chart of the Applicants and the Domestic Insurers following consummation of the Internal Reorganization.

As a result of the Merger and the Internal Reorganization, and upon implementation of the post-Merger holding company structure as described above, ANGI will be the direct shareholder of AEILIC and will therefore indirectly own Eagle, which will remain as a wholly owned subsidiary of AEILIC. The interests in ANGI will be held approximately 5% (and no more than 15%) by BAM Re Holdings and 95% (and no less than 85%) by BAMR US Holdings, which in turn are each wholly owned, directly or indirectly, by Brookfield Reinsurance.

ITEM 2. IDENTITY AND BACKGROUND OF EACH OF THE APPLICANTS

(a) Names and Addresses of the Applicants

The name and address of each of the Applicants seeking to acquire control over the Domestic Insurers are:

American National Group, LLC
One Moody Plaza
Galveston, Texas 77550-7999

ANG Midco I LLC
250 Vesey Street, 15th Floor
New York, New York 10281-1023

ANG Topco I LLC
250 Vesey Street, 15th Floor
New York, New York 10281-1023

BAMR US Holdings LLC
250 Vesey Street, 15th Floor
New York, New York 10281-1023

BAMR US Holdings (Bermuda) I Ltd.
Ideation House, First Floor
94 Pitts Bay Road
Pembroke, HM 08, Bermuda

BAM Re Holdings Ltd.
Ideation House, First Floor
94 Pitts Bay Road
Pembroke, HM 08, Bermuda

Brookfield Reinsurance Ltd.
Ideation House, First Floor
94 Pitts Bay Road
Pembroke, HM 08, Bermuda

BAM Re Partners Trust
73 Front Street, 5th Floor
Hamilton, HM 12, Bermuda

BAM Re Trustee Ltd.
c/o Walkers Corporate (Bermuda) Limited
Park Place
55 Par-la-Ville Road
Hamilton HM11
Bermuda

Partners FC II Ltd.
Walkers Corporate (Bermuda) Limited
Park Place
55 Par-la-Ville Road
Hamilton HM 11
Bermuda

Partners FC Ltd.
c/o Walkers Corporate (Bermuda) Limited
Park Place
55 Par-la-Ville Road
Hamilton HM11
Bermuda

Partners BK Ltd.
c/o Walkers Corporate (Bermuda) Limited
Park Place
55 Par-la-Ville Road
Hamilton HM11
Bermuda

Bruce Flatt
One Canada Square
Level 25, Canary Wharf
London, E14 5AA
United Kingdom

Brian Kingston
250 Vesey Street, Floor 15
New York, New York 10281

(b) Business Operations of the Applicants

The principal business activity of each of the Applicants for the past five (5) years (or for such lesser period as such person and any predecessors thereof has been in existence) is described below.

American National Group, LLC (together with its subsidiaries, including Freestone, "American National")

Formed on January 3, 2020, ANAT is a Delaware limited liability company. It is a direct, wholly owned subsidiary of BAMR US Holdings. The principal business of ANAT is to serve as an intermediate holding company for the American National group of companies, which provides personal and commercial property and casualty insurance, life insurance and annuities. ANAT's operating subsidiaries are domiciled in Texas, Missouri, New York and Bermuda. As described above, as part of the Internal Reorganization, in connection with the Merger, ANAT will acquire (i) an approximate 4.95% interest in AEL Holdco from its wholly-owned subsidiary, Freestone and (ii) an approximate 5% interest in AEL Holdco from its indirect parent company, BAM Re Holdings.

ANG Midco I LLC ("Midco")

Formed on December 1, 2023, Midco is a Delaware limited liability company. It is a direct, wholly owned subsidiary of Topco (as defined below). The principal business of Midco is to serve as an intermediate holding company.

ANG Topco I LLC ("Topco")

Formed on December 1, 2023, Topco is a Delaware limited liability company. It is a direct, wholly owned subsidiary of BAMR US Holdings (as defined below). The principal business of Topco is to serve as an intermediate holding company.

BAMR US Holdings LLC

Formed on September 22, 2022, BAMR US Holdings is a Delaware limited liability company. It is a direct, wholly owned subsidiary of BAMR US (as defined below). The principal business of BAMR US Holdings is to serve as an intermediate holding company.

Prior to BAMR US Holdings' formation, the entity did not operate as a business.

BAMR US Holdings (Bermuda) I Ltd. ("BAMR US")

Formed on August 2, 2021, BAMR US is an exempted company established under the laws of Bermuda. It is a direct, wholly owned subsidiary of BAM Re Holdings. The principal business of BAMR US is to serve as an intermediate holding company.

Prior to BAMR US' formation, the entity did not operate as a business.

BAM Re Holdings

Formed on February 16, 2021, BAM Re Holdings is an exempted company established under the laws of Bermuda. It is a direct, wholly owned subsidiary of Brookfield Reinsurance. BAM Re Holdings owns all of the equity interests of Brookfield Annuity Holdings Inc., BAMR US Holdings (Bermuda) I Ltd., North End Re Ltd. and North End Re. The principal business of BAM Re Holdings is to serve as an intermediate holding company. As described above, as part of the Internal Reorganization, in connection with the Merger, BAM Re Holdings will transfer its approximate 5% interest in AEL Holdco to ANAT.

Prior to BAM Re Holdings' formation, the entity did not operate as a business.

Brookfield Reinsurance

On June 28, 2021, Brookfield Reinsurance (f/k/a Brookfield Asset Management Reinsurance Partners Ltd.) was spun off from Brookfield Corporation and became a separate, publicly traded company that owns and operates insurance and reinsurance businesses. Prior to the spin-off, Brookfield Reinsurance operated through its predecessor, Brookfield Annuity Holdings Inc. (Canada), for a period of over five years.

Brookfield Reinsurance is a Bermuda-based insurance and reinsurance holding company with a long-term commitment to the insurance sector and to the policyholders and clients of its insurance and reinsurance subsidiaries. At present, Brookfield Reinsurance operates through its subsidiaries in the United States, Canada, the Cayman Islands and Bermuda. Brookfield Reinsurance currently operates in the United States primarily through ANAT, which it acquired on May 26, 2022. ANAT provides personal and commercial property and casualty insurance, life insurance and annuities to policyholders throughout the United States, the District of Columbia and Puerto Rico. Brookfield Reinsurance also owns Brookfield Annuity Company, a leader in the Canadian pension risk transfer (group annuity) market, and North End Re, a reinsurer licensed in Bermuda and the Cayman Islands focused on providing reinsurance solutions to insurers with long duration liabilities.

On February 8, 2023, Brookfield Reinsurance and BNRE Bermuda Merger Sub Ltd., a Bermuda exempted company limited by shares and a wholly owned, indirect subsidiary of Brookfield Reinsurance, entered into an agreement and plan of merger with Argo Group International Holdings, Ltd. ("Argo Group"), pursuant to which Brookfield Reinsurance acquired ownership of Argo Group and its subsidiaries. In connection with Brookfield Reinsurance's acquisition of Argo Group, the Prior Applicants, other than North End Re, together with BAMR US Holdings LLC, BAMR US Holdings (Bermuda) I Ltd. and BNRE Triangle Acquisition Inc. (collectively, the "Argo Applicants") filed applications for the acquisition of control of Argo Group in Illinois, Virginia, Pennsylvania, New York, Bermuda and Italy (the "Argo Applications"). The Argo Applications were approved in the fourth quarter of 2023. As of the closing on November 16, 2023, the Argo Group is now a separate subsidiary and group of operating companies within Brookfield Reinsurance and is not within ANAT.

The Brookfield Reinsurance capital structure includes two classes of voting shares. The class A exchangeable limited voting shares of Brookfield Reinsurance (the "Brookfield Reinsurance Class A Shares") are publicly traded on the NYSE and the Toronto Stock Exchange ("TSX") under the symbol "BNRE." Shareholders of this class are entitled to elect half of the board of directors of Brookfield Reinsurance. Each Brookfield Reinsurance Class A Share has been structured to be economically equivalent to one Brookfield Corporation class A limited voting share and is entitled to receive distributions at the same time and in the same amount as dividends on the Brookfield Corporation class A limited voting shares. The Brookfield

Reinsurance Class A Shares are also exchangeable for Brookfield Corporation class A limited voting shares at the election of the holder on a one-for-one basis. To the knowledge of Brookfield Reinsurance, based on information filed with the SEC of the date of this Application, Bruce Flatt, an Applicant pursuant to this Application, is the only person holding (with the full power to vote) 10% or more of the Brookfield Reinsurance Class A Shares.[5]

If Brookfield Reinsurance elects to redeem the Brookfield Reinsurance Class A Shares, Brookfield Corporation may elect, subject to receipt of any required regulatory approvals, to acquire all of the outstanding Brookfield Reinsurance Class A Shares in exchange for Brookfield Corporation class A shares at an exchange rate of one Brookfield Corporation class A share per Brookfield Reinsurance Class A Share held (subject to adjustment to reflect certain capital events) or its cash equivalent based on the NYSE closing price of one Brookfield Corporation class A share on the trading day immediately preceding the announcement of such redemption plus all unpaid distributions, if any (the form of payment to be determined at the election of Brookfield Corporation).

In addition to the Brookfield Reinsurance Class A Shares, Brookfield Reinsurance has outstanding class A-1 exchangeable non-voting shares (the "Brookfield Reinsurance Class A-1 Shares"), class B limited voting shares (the "Brookfield Reinsurance Class B Shares") and class C non-voting shares (the "Brookfield Reinsurance Class C Non-Voting Shares").

The Brookfield Reinsurance Class A-1 Shares are non-voting. Each Class A-1 Share is (i) convertible into a Brookfield Reinsurance Class A Share and (ii) exchangeable into a Brookfield Corporation class A limited voting share, in each case on a one-for-one basis. No holder of Brookfield Reinsurance Class A-1 Shares may convert, and Brookfield Reinsurance will not accept for conversion, any Brookfield Reinsurance Class A-1 Share if, following conversion, such holder would hold more than 9.9% of the issued and outstanding Brookfield Reinsurance Class A Shares, unless such holder has received all necessary regulatory approvals to hold more than 9.9% of the Brookfield Reinsurance Class A Shares.

The Brookfield Reinsurance Class B Shares are entitled to elect the other half of the board of directors of Brookfield Reinsurance, to receive equivalent distributions as the Brookfield Reinsurance Class A Shares and to approve all matters put to shareholders of Brookfield Reinsurance for approval, voting separately as a class. All of the Brookfield Reinsurance Class B Shares are owned by BAM Re Class B Partnership (as defined below).

The Brookfield Reinsurance Class C Non-Voting Shares do not carry any voting rights; however, the holders of these shares are entitled to the residual economics of Brookfield

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5 According to a Schedule 13G filed with the SEC on June 8, 2023 by Mawer Investment Management Ltd. ("Mawer"), a third party investment adviser unrelated to and unaffiliated with any Applicant, Mawer has beneficial ownership of 11.02% of the outstanding Brookfield Reinsurance Class A Shares and sole voting power over 6.75% of the outstanding Brookfield Reinsurance Class A Shares. Mawer is therefore not presumed to control the Domestic Insurers as defined under Iowa Code Section 521A.1(3). Additionally, in such Schedule 13G, Mawer certified that such Brookfield Reinsurance Class A Shares were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of Brookfield Reinsurance and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Reinsurance following payment of distributions to holders of the Brookfield Reinsurance Class A Shares and Brookfield Reinsurance Class B Shares, and subject to the prior rights of holders of Brookfield Reinsurance's junior preferred shares and senior preferred shares (if any such shares are issued). All of the Brookfield Reinsurance Class C Non-Voting Shares are currently owned by Brookfield Corporation and one of its wholly owned subsidiaries, BAM Re LTIP Holdings ULC. The Brookfield Reinsurance Class C Non-Voting Shares held directly by Brookfield Corporation are expected to be contributed to certain other wholly owned subsidiaries of Brookfield Corporation (the "Class C Share Transferees"). The holders of the Brookfield Reinsurance Class C Non-Voting Shares are entitled to consent to: (a) any redemption of the Brookfield Reinsurance Class A Shares by Brookfield Reinsurance; (b) any amendment to Brookfield Reinsurance's memorandum of association or bye-laws; (c) any merger or similar reorganization of Brookfield Reinsurance (including a sale of all or substantially all of its assets); or (d) a continuance (*i.e.* re-domiciliation) of Brookfield Reinsurance to another jurisdiction of incorporation. The consent rights of the Brookfield Reinsurance Class C Non-Voting Shares pertain to actions directly related to Brookfield Reinsurance, rather than the operations or ownership by Brookfield Reinsurance of its regulated insurance and reinsurance companies. Any change in ownership of the insurance and reinsurance companies owned by Brookfield Reinsurance would be subject to the prior approval of applicable insurance regulators. Any holder of the Brookfield Reinsurance Class C Non-Voting Shares has the right to convert any Brookfield Reinsurance Class A Shares it receives from time to time through exchanges of Brookfield Reinsurance Class A Shares into Brookfield Reinsurance Class C Non-Voting Shares.

Concurrently with the filing of the Original Application, Brookfield Corporation, BAM Re LTIP Holdings ULC and the Class C Share Transferees filed letters with the Division disclaiming control of Brookfield Reinsurance and its subsidiaries.

The holders of the Brookfield Reinsurance Class C Non-Voting Shares also have the right, in certain limited circumstances, subject to applicable law, to require Brookfield Reinsurance to commence a liquidation of Brookfield Reinsurance following the occurrence of certain events specified in Brookfield Reinsurance's memorandum of association and bye-laws. The holders of Brookfield Reinsurance Class C Non-Voting Shares do not have any rights to commence a liquidation of any insurance or reinsurance subsidiaries of Brookfield Reinsurance. Upon any liquidation, dissolution or winding up of Brookfield Reinsurance, Brookfield Corporation may elect to acquire all (but not less than all) of the outstanding Brookfield Reinsurance Class A Shares for one Brookfield Corporation class A share per Brookfield Reinsurance Class A Share held (subject to adjustment to reflect certain capital events) plus all unpaid distributions, if any.

Based on the above, Brookfield Corporation and BAM Re LTIP Holdings ULC do not, and the Class C Share Transferees will not, control Brookfield Reinsurance or have any voting or approval rights with respect to Brookfield Reinsurance through the Brookfield Reinsurance Class C Non-Voting Shares, other than those limited liquidation and redemption rights described above.

Brookfield Corporation and Brookfield Reinsurance are parties to contractual arrangements under which Brookfield Corporation has agreed to provide certain services and support to Brookfield Reinsurance, as described below.

Brookfield Corporation has entered into a support agreement with Brookfield Reinsurance under which it has agreed to take various actions designed to support the economic equivalence of the Brookfield Reinsurance Class A Shares and the Brookfield Reinsurance Class A-1 Shares to the Brookfield Corporation class A limited voting shares for so long as the Brookfield Reinsurance Class A Shares are held by persons other than Brookfield Corporation and there has not been an amendment to the exchange feature attaching to such shares. Brookfield Corporation has provided Brookfield Reinsurance with an equity commitment in the amount of $2 billion and has provided BAM Re Holdings and certain of its subsidiaries with an extension of credit in the form of a revolving credit facility in the amount of $400 million for working capital purposes. Brookfield Corporation also provides Brookfield Reinsurance with the services of Brookfield Reinsurance's Chief Executive Officer, Chief Financial Officer and Chief Investment Officer and certain other administrative services at cost pursuant to an administrative services agreement.

BAM Re Partners Trust ("BAM Re Class B Partnership")

Formed on June 17, 2021, BAM Re Class B Partnership is a trust formed under the laws of Bermuda that beneficially owns 100% of the Brookfield Reinsurance Class B Shares. The trustee of BAM Re Class B Partnership is BAM Re Trustee Ltd. ("BAM Re Trustee"). In accordance with the governing documents of BAM Re Class B Partnership, all actions to be taken by BAM Re Class B Partnership in connection with its ownership of the Brookfield Reinsurance Class B Shares are determined by BAM Re Trustee, with no single individual or entity controlling BAM Re Class B Partnership.

As described above, as holder of the Brookfield Reinsurance Class B Shares, BAM Re Class B Partnership (i) is entitled to elect half of the board of directors of Brookfield Reinsurance, (ii) receives equivalent distributions as the Brookfield Reinsurance Class A Shares and (iii) has the right to approve matters put to Brookfield Reinsurance shareholders for approval, voting separately as a class.

The beneficial interests in BAM Re Class B Partnership, and the voting interests in its trustee, BAM Re Trustee, are held through entities owned by (i) Bruce Flatt (47.68%),[6] (ii) Brian Kingston (19%),[7] and (iii) Sachin Shah, Anuj Ranjan, Connor Teskey, Cyrus Madon and Sam Pollock (33.32%) in equal parts; being approximately 6.66% each, individually.

As described above, although no one person controls BAM Re Class B Partnership, as a result of his 47.68 % beneficial interest in BAM Re Class B Partnership, and his voting interest in BAM Re Class B Partnership and as the largest holder of the Brookfield Reinsurance Class A

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6 As described below, Bruce Flatt owns his beneficial interest in BAM Re Class B Partnership and voting interests in BAM Re Trustee through Partners FC Ltd. and Partners FC II Ltd.

7 As described below, Brian Kingston owns his beneficial interest in BAM Re Class B Partnership and voting interests in BAM Re Trustee through Partners BK Ltd.

Shares, Bruce Flatt is listed as an Applicant, along with Partners FC Ltd. and Partners FC II Ltd., the entities through which he holds beneficial interests and voting interests in BAM Re Class B Partnership and BAM Re Trustee, respectively. As of the date of this Application, Mr. Flatt owns less than 19.9% of the Brookfield Reinsurance Class A shares.

Further, as a result of his 19% beneficial interest in BAM Re Class B Partnership and voting interest in BAM Re Trustee, Brian Kingston is listed as an Applicant, along with Partners BK Ltd., the entity through which he holds beneficial interests and voting interests in BAM Re Class B Partnership and BAM Re Trustee, respectively. As of the date of this Application, Mr. Kingston owns less than 1% of the Brookfield Reinsurance Class A Shares.

Both Mr. Flatt and Mr. Kingston were approved as controllers of the Domestic Insurers pursuant to the Division's order dated December 21, 2021.

Prior to BAM Re Class B Partnership's formation, the entity did not operate as a business.

<u>BAM Re Trustee</u>

Formed on June 2, 2021, BAM Re Trustee is an exempted company established under the laws of Bermuda. The principal business of BAM Re Trustee is to serve as the trustee of BAM Re Class B Partnership.

Prior to BAM Re Trustee's formation, the entity did not operate as a business.

<u>Partners FC Ltd.</u>

Formed on May 17, 2021, Partners FC Ltd. is an exempted company established under the laws of Bermuda. It is the vehicle through which Mr. Flatt owns a 47.68% beneficial interest in BAM Re Class B Partnership and a 47.68% voting interest in its trustee, BAM Re Trustee.

Partners FC II Ltd. is the sole shareholder of Partners FC Ltd.

Prior to Partners FC Ltd.'s formation, the entity did not operate as a business.

<u>Partners FC II Ltd.</u>

Formed on March 3, 2017 in the British Virgin Islands and continued into Bermuda on December 31, 2021, Partners FC II Ltd. is an exempted company governed by the laws of Bermuda. It is the sole shareholder of Partners FC Ltd.

Bruce Flatt is the sole shareholder of Partners FC II Ltd.

Prior to Partners FC II Ltd.'s formation, the entity did not operate as a business.

Partners BK Ltd. ("Partners BK")

Formed on May 17, 2021, Partners BK is an exempted company established under the laws of Bermuda. It is the vehicle through which Mr. Kingston owns a 19% beneficial interest in BAM Re Class B Partnership and a 19% voting interest in its trustee, BAM Re Trustee.

Brian Kingston is the sole shareholder of Partners BK.

Prior to Partners BK's formation, the entity did not operate as a business.

(c) Applicants' Organizational Charts

Attached hereto as Exhibit 2 is the organizational structure chart of the Domestic Insurers and the Applicants as of the date hereof, prior to the completion of the Proposed Acquisition. Attached hereto as Exhibit 3(a) is the abbreviated organizational structure chart of the Applicants immediately following completion of Step 1 of the Internal Reorganization, but prior to completion of the Merger. Attached hereto as Exhibit 3(b) is the abbreviated organizational structure chart of the Applicants immediately following the Merger. Attached hereto as Exhibit 3(c) is the abbreviated organizational structure chart of the Applicants immediately following consummation of the Internal Reorganization. These charts present on an abbreviated basis the identities of and the interrelationships among: (i) the Applicants and (ii) AEL Holdco and its subsidiaries. These charts list, as to each entity specified in the chart, the type of organization and the state or other jurisdiction of domicile. No court proceedings involving a reorganization or liquidation are pending with respect to any of the Applicants or any of their corporate affiliates.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANTS

An updated list of the directors and executive officers of each of the Applicants is attached hereto as Exhibit 4(a).

In accordance with the terms of the Merger Agreement, each of the current directors of AEL Holdco, including the current Chief Executive Officer of AEL Holdco (the "CEO") in his capacity as a director, will resign effective as of Closing, and the persons listed on Exhibit 4(b) as the directors of Merger Sub will become the directors of the Surviving Company. In connection with the Post-Closing Merger, the individuals named in Exhibit 4(b), being the current directors of ANAT, will be appointed as the directors of the Surviving Holdco (ANGI) and the individuals named in Exhibit 4(b), being the current executive officers of AEL Holdco (except for the CEO) and ANAT, respectively, will become the executive officers of the Surviving Holdco (ANGI). The Applicants are continuing to evaluate the composition of the board of directors of ANGI and may seek to appoint one or more additional directors following Closing. The Applicants will update the Division promptly to the extent there are any developments in this regard. The Applicants will also notify the Division of any changes to the proposed directors or officers of the Surviving Holdco (ANGI) that may occur in the ordinary course between the date of this Application and the Closing.

The NAIC Biographical Affidavits for the persons listed in Exhibit 4(a) and Exhibit 4(b) (other than individuals who are current executive officers of AEL Holdco) that do not have a cross were previously provided to the Division and submitted to a third-party background check service provider in connection with the Prior Application, and are incorporated herein by reference. The Applicants have confirmed that all of the information contained in such previously-submitted biographical affidavits remains true and correct in all material respects. The NAIC Biographical Affidavits for the persons listed in Exhibit 4(a) and Exhibit 4(b) (other than individuals who are current executive officers of AEL Holdco) that do have a cross have been provided as Exhibit 5 and were submitted to a third-party background check service provider. The business addresses, residence addresses, licenses and material occupations, offices or employment during the last five years are described in the Biographical Affidavits for each such person. To the knowledge of the Applicants, no person listed in Exhibit 4(a) or Exhibit 4(b) who is associated with the Applicants has been convicted in a criminal proceeding (excluding minor traffic violations) during the past ten years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Consideration

As described in Item 1, the aggregate amount of Merger Consideration to be paid to the holders of the AEL Holdco Common Shares in connection with the Closing will be: (i) cash in an amount equal to the Cash Consideration multiplied by the number of AEL Holdco Common Shares and (ii) shares of BAM Class A Stock having a value equal to the Stock Consideration (and cash in lieu of fractional shares of BAM Class A Stock) multiplied by the number of AEL Holdco Common Shares, in each case, outstanding as of immediately prior to the effective time of the Merger. The Merger values AEL Holdco at approximately $4.6 billion. Consummation of the Proposed Acquisition is not subject to any financing condition or contingency. Further details on the sources of the consideration are described in Exhibit 6.

In connection with the Proposed Acquisition, Brookfield Corporation, AEL Holdco, Brookfield Reinsurance and Merger Sub have entered into that certain Guaranty, dated as of July 4, 2023, pursuant to which Brookfield Corporation has guaranteed the obligation of Brookfield Reinsurance to deliver the Merger Consideration, reimburse expenses or indemnify AEL Holdco under the terms of the Merger Agreement and pay any monetary damages awarded to AEL Holdco by a court of competent jurisdiction for breach of the Merger Agreement. A copy of the Guaranty is attached hereto as Exhibit 8.

(b) Criteria

The terms of the Merger Agreement, including the nature and amount of the Merger Consideration, were agreed upon in an arms' length negotiation with advice of the parties' respective financial, legal and other advisors. The amount and type of consideration were determined in view of the consideration paid in other recent acquisitions of similar businesses, as well as the financial position and results of operation of the business to be acquired, including the past and present business operations, historical and potential earnings, financial condition and prospects, assets and liabilities and such other factors and information as Brookfield Reinsurance considered relevant under the circumstances. In addition, AEL Holdco's board of directors engaged J.P. Morgan Securities LLC and Ardea Partners LP to conduct a review of the transactions contemplated by the Merger Agreement and provide their opinion as to the fairness of the consideration to be paid in connection with the transactions contemplated by the Merger Agreement by Brookfield Reinsurance.

ITEM 5. FUTURE PLANS FOR INSURER

Pursuant to an Advisory Agreement (as described in Item 12(c)) between Brookfield Reinsurance and the CEO, the CEO will resign from his role as an officer and director of AEL Holdco and the Domestic Insurers effective as of Closing, and will transition to an advisory role with Brookfield Reinsurance. Brookfield Reinsurance has commenced a search for a replacement CEO and will keep the Division apprised of any developments in connection therewith.

Brookfield Reinsurance does not intend to deviate from the business and operating plan of the Domestic Insurers. Consistent with its philosophy and approach, Brookfield Reinsurance will manage AEL Holdco's financial condition with the goal of supporting anticipated organic growth and delivering on promises to policyholders and clients.

Brookfield Reinsurance intends to maintain and enhance AEL Holdco's presence and participation in the Iowa insurance community, including as an employer and as a leading Iowa-domiciled insurer. The Applicants intend to maintain the Domestic Insurers' headquarters and personnel in Des Moines.

Other than as noted in this Application (including the details on the sources, uses and nature of consideration described in Exhibit 6 and the three-year financial projections for each of the Domestic Insurers attached as Exhibit 9), neither the Applicants nor any person identified in Exhibit 4(a) or Exhibit 4(b) have any present plans to cause the Domestic Insurers to declare an extraordinary dividend, to liquidate the Domestic Insurers, to sell the Domestic Insurers' assets, to merge the Domestic Insurers with any person or persons, or to make any other material change to the Domestic Insurers' business operations, corporate structure, management or business plans previously filed with the Division. Any future change in the business operations of the Domestic Insurers would be undertaken in a manner consistent with sound business practices and the growth and stability of their respective businesses, and in accordance with applicable law, including any required regulatory approvals. Further details on the future plans of the Domestic Insurers are described in Exhibit 7.

Other than the resignation of the CEO noted above and in connection with any new hires or resignations that may occur in the ordinary course, the Applicants do not currently anticipate any changes to the directors or executive officers of the Domestic Insurers following the Closing. The Domestic Insurers will notify the Division of any changes to the directors or officers of the Domestic Insurers that may occur in the ordinary course between the date of this Application and the Closing.

See Exhibit 7 for further detail regarding the existing reinsurance agreement between North End Re and AEILIC, which was approved by the Commissioner on September 29, 2021 (submitted as Form D#1760) (the "AEILIC Reinsurance Agreement").

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

Eagle currently has 2,500,000 shares of common stock issued and outstanding, all of which are directly owned by AEILIC. AEILIC currently has 2,500,000 shares of common stock issued and outstanding, all of which are directly owned by AEL Holdco.

Following the consummation of the Proposed Acquisition, the Applicants will become controlling persons of each of the Domestic Insurers as a result of Merger Sub merging with and into AEL Holdco, the indirect parent company of the Domestic Insurers. The terms and conditions of the transactions described in the prior paragraph are set forth in the Merger Agreement attached hereto as Exhibit 1 and are discussed in Items 1 and 4 above. The terms and conditions of the Merger Agreement were agreed upon in an arms' length negotiation with advice of the parties' respective financial, legal and other advisors.

The terms of the proposed Merger are summarized in Item 1(b) of this Application. A statement as to the method by which the fairness of the proposal was determined is included in Item 4(b) of this Application.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

All of the issued and outstanding shares of common stock of Eagle are directly owned by AEILIC. In turn, all of the issued and outstanding shares of common stock of AEILIC are directly owned by AEL Holdco. Pursuant to the Initial Investment, the Brookfield Reinsurance Group Shareholders hold, as of July 4, 2023, approximately 20.38% of all of the issued and outstanding voting securities of AEL Holdco. Except as otherwise described in this Application, there are no voting securities of any class of the Domestic Insurers that are held of record, beneficially owned or concerning which there is a right to acquire beneficial ownership by the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Exhibit 4(a).

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Concurrently with the execution of the Merger Agreement, AEL Holdco entered into a voting agreement (the "Voting Agreement") with the Brookfield Reinsurance Group Shareholders (*i.e.* Freestone and North End Re).

Pursuant to the Voting Agreement, subject to the terms and conditions set forth therein, each of Freestone and North End Re have agreed to vote all of the outstanding AEL Holdco Common Shares then beneficially owned by Freestone, North End Re or any of their respective affiliates (1) in favor of the approval of the Merger Agreement and the Merger and (2) against any other takeover proposal or other proposal or transaction that would in any manner impede, frustrate, prevent or nullify any provision of the Merger Agreement or the Merger. The Voting Agreement also includes waivers of certain provisions of the Investment Agreement, in order to, among other things, permit Brookfield Reinsurance to exercise certain rights under the Merger Agreement and to remove any limitations on voting under the Investment Agreement that would conflict with the Brookfield Reinsurance Group Shareholders' voting obligations under the Voting Agreement.

As of the date of the Voting Agreement, an aggregate of 15,886,066 AEL Holdco Common Shares, representing approximately 20.38% of the total voting power of the holders of capital stock of AEL Holdco, were beneficially owned by the Brookfield Reinsurance Group Shareholders subject to the Voting Agreement.

The foregoing description of the Voting Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to the full text of such agreement, a copy of which is attached hereto as Exhibit 10.

As part of the Internal Reorganization described above, in connection with, and prior to, the Merger, BAM Re Holdings will acquire 12,028,979 AEL Holdco Common Shares, representing approximately 15.43% of the total voting power of the holders of capital stock of AEL Holdco, from its wholly owned subsidiary, North End Re. BAM Re Holdings is expected to transfer approximately 5% of the total voting power of the holders of capital stock of AEL Holdco to ANAT immediately following, and on the same day as, the Merger. Also as part of the Internal Reorganization described above, in connection with and prior to the merger, ANAT will acquire 3,857,184 AEL Holdco Common Shares, representing approximately 4.95% of the total voting power of the holders of capital stock of AEL Holdco from its wholly-owned subsidiary, Freestone.

Other than as described above, the Merger Agreement, the Voting Agreement and the Investment Agreement, there are no contracts, arrangements or understandings with respect to any voting security of AEL Holdco or any of the Domestic Insurers in which the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Exhibit 4(a) is involved, including any transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

None of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Exhibit 4(a) has purchased any voting securities of AEL Holdco or any of the Domestic Insurers during the twelve (12) calendar months preceding the filing of this Application.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Except in connection with the execution of the Merger Agreement, none of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Exhibit 4(a) has made any recommendations to purchase any voting security of AEL Holdco or any of the Domestic Insurers, and no such recommendations have been made by anyone based upon interviews or at the suggestion of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Exhibit 4(a), in each case during the twelve (12) calendar months preceding the filing of this Application.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

None of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Exhibit 4(a) has made any agreements, contracts or understandings with any broker-dealer as to solicitation of voting securities of AEL Holdco or any of the Domestic Insurers.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) - (b) Listing of Exhibits; Financial Statements

As described in Item 2(b) of this Application, Brookfield Reinsurance was spun off from Brookfield Corporation on June 28, 2021. The audited financial statements of Brookfield Reinsurance for the years ended December 31, 2022, 2021 and 2020 are attached hereto as Exhibit 11(a). The audited financial statements of Brookfield Reinsurance for the years ended December 31, 2021, 2020 and 2019 are attached hereto as Exhibit 11(b).[8] Copies of the audited consolidated financial statements of Brookfield Annuity Holdings Inc., as the predecessor of Brookfield Reinsurance for financial reporting purposes, as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, are attached hereto as Exhibit 11(c). The unaudited quarterly financial statements of Brookfield Reinsurance for the quarters ended March 31, 2023, June 30, 2023 and September 30,2023 are attached hereto as Exhibit 11(d). As a publicly traded company (New York Stock Exchange and Toronto Stock Exchange), Brookfield Reinsurance is subject to periodic and ongoing disclosure of its audited consolidated financial statements in the United States and Canada.

As described in Item 2(b) of this Application, Partners BK was formed on May 17, 2021. The unaudited annual financial statements of Partners BK for the years ended December 31, 2022 and 2021 are attached as Exhibit 11(e).

As described in Item 2(b) of this Application, BAM Re Trustee was formed on June 2, 2021. The unaudited annual financial statements of BAM Re Trustee for the years ended December 31, 2022 and 2021 are attached as Exhibit 11(f).

As described in Item 2(b) of this Application, BAM Re Class B Partnership was formed on June 17, 2021. The unaudited annual financial statements of BAM Re Class B Partnership for the years ended December 31, 2022 and 2021 are attached as Exhibit 11(g).

As described in Item 2(b) of this Application, ANAT was formed on January 3, 2020. The audited annual financial statements of ANAT for the years ended December 31, 2022, 2021

[8] The audited financial statements of Brookfield Reinsurance are prepared on a combined consolidated basis for a three year period.

and 2020 are attached as Exhibit 11(h). The unaudited quarterly financial statement of ANAT for the quarter ended March 31, 2023, June 30, 2023 and September 30, 2023 is attached hereto as Exhibit 11(i).

As described in Item 2(b) of this Application, BAM Re Holdings was formed on February 16, 2021. Stand-alone audited financial statements for BAM Re Holdings are not available because audit procedures are performed on the consolidated financial statements of its parent company, Brookfield Reinsurance (which are provided in Exhibit 11(a) and Exhibit 11(b)), rather than on BAM Re Holdings' stand-alone financial statements.

As described in Item 2(b) of this Application, BAMR US was formed on July 28, 2021. Stand-alone audited financial statements for BAMR US are not available because audit procedures are performed on the consolidated financial statements of its parent company, Brookfield Reinsurance (which are provided in Exhibit 11(a) and Exhibit 11(b)), rather than on BAMR US' stand-alone financial statements.

As described in Item 2(b) of this Application, BAMR US Holdings was formed on September 22, 2022. Stand-alone audited financial statements for BAMR US Holdings are not available because audit procedures are performed on the consolidated financial statements of its parent company, Brookfield Reinsurance (which are provided in Exhibit 11(a) and Exhibit 11(b)), rather than on BAMR US Holdings' stand-alone financial statements.

Attached as Exhibit 11(j) are the annual unaudited unconsolidated balance sheets of (i) BAM Re Holdings for the year ended December 31, 2021; (ii) BAMR US for the years ended December 31, 2022 and 2021 and (iii) BAMR US Holdings for the year ended December 31, 2022.

ANG Midco I LLC, ANG Topco I LLC, Partners FC Ltd. and Partners FC II Ltd. do not produce financial statements.

The Division has on file the personal financial statements of both Bruce Flatt and Brian Kingston in the form of a certified public accountant compilation for the years ended December 31, 2022, 2021 and 2020.

As noted in Item 5 of this Application, three-year financial projections of each of the Domestic Insurers are attached hereto as Exhibit 9.

A copy of the Voting Agreement, as described in Item 8 of this Application, is attached as Exhibit 10 hereto.

A copy of the Guaranty, as described in Item 4 of this Application, is attached as Exhibit 8 hereto.

Attached hereto as Exhibit 12(a) and Exhibit 12(b), respectively, are the annual reports issued to the stockholders of AEL Holdco for the years ended December 31, 2022 and 2021. The Domestic Insurers do not prepare annual reports to their stockholders.

Attached hereto as Exhibit 13(a) and Exhibit 13(b), respectively, are the annual reports issued to the stockholders of Brookfield Reinsurance for the years ended December 31, 2022 and 2021. Other than Brookfield Reinsurance, the Applicants do not prepare annual reports to their respective stockholders.

(c) Offers

Other than as described in this Application, the Applicants are not aware of any tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of AEL Holdco or any of the Domestic Insurers, or any soliciting materials relating thereto.

Brookfield Reinsurance has entered into an advisory agreement with Anant Bhalla, the current CEO of AEL Holdco, who will be resigning from that position in connection with the transactions contemplated by the Merger Agreement (the "Advisory Agreement"). Pursuant to the Advisory Agreement, Mr. Bhalla will perform certain advisory services for Brookfield Reinsurance for up to 18 months following the effective time of the Merger. In exchange for such advisory services, Mr. Bhalla will earn an aggregate fee of $8 million, with (i) $6 million payable in the first 12 months (in monthly installments of $500,000) and (ii) $2 million payable in the final six months (in monthly installments of $333,333). If Mr. Bhalla is terminated by Brookfield Reinsurance without cause or resigns for good reason, in each case prior to the end of the 18-month advisory period, any unpaid portion of the $8 million advisory fee will become payable as of the date of such termination. The Advisory Agreement also provides that Mr. Bhalla will be subject to (i) a non-compete covenant as it relates to U.S. retail annuity insurance for the period beginning at the effective time of the Merger and ending on the earlier of (A) nine months after the effective time of the Merger and (B) September 30, 2024 (but subject to a minimum duration of six months) and (ii) a six-month post-engagement employee, client and distributor non-solicitation covenant.

In addition, it is anticipated that AEL Holdco will enter into retention agreements with certain executive officers of AEL Holdco and the parties are currently in the process of negotiating the final form of the retention agreement (the "Proposed Retention Agreement"). A copy of the Proposed Retention Agreement will be provided to the Division as soon as it is available. The Applicants plan to maintain the Domestic Insurers' headquarters and personnel in Des Moines. Other than the Advisory Agreement and the Proposed Retention Agreement, the Applicants are not contemplating entering into any proposed employment, consultation, advisory or management contracts concerning any of the Domestic Insurers except for the investment management agreements noted above.

List of Exhibits

A complete index to the Exhibits in this Application follows:

Exhibit	Name of Exhibit
1	Merger Agreement
2	Current Organizational Chart of Applicants and Domestic Insurers

3		Organizational Charts of Applicants and Domestic Insurers
	(a)	Immediately following completion of Step 1 of the Internal Reorganization, but prior to completion of the Merger
	(b)	Immediately following the Merger
	(c)	Immediately following consummation of the Internal Reorganization
4		Directors and Executive Officers
	(a)	Directors and Executive Officers of Applicants
	(b)	Directors and Executive Officers of Merger Sub, AEL Holdco, ANAT and ANGI
5		Biographical Affidavits*
6		Description of Sources, Uses and Nature of Consideration*
7		Future Plans for Insurer*
8		Guaranty*
9		Three-Year Financial Projections*
	(a)	Three-Year Financial Projections for AEILIC*
	(b)	Three-Year Financial Projections for Eagle*
10		Voting Agreement
11		Financial Statements of the Applicants
	(a)	Audited Financial Statements of Brookfield Reinsurance for the Years-Ended December 31, 2022, 2021 and 2020
	(b)	Audited Financial Statements of Brookfield Reinsurance for the Years-Ended December 31, 2021, 2020 and 2019
	(c)	Audited Consolidated Financial Statements of Brookfield Annuity Holdings Inc., as the predecessor of Brookfield Reinsurance for financial reporting purposes, as at December 31, 2020 and 2019 and for the Years-Ended December 31, 2020, 2019 and 2018
	(d)	Unaudited Quarterly Financial Statements of Brookfield Reinsurance for the Quarters-Ended March 31, 2023, June 30, 2023 and September 30, 2023
	(e)	Unaudited Financial Statements of Partners BK for the Years-Ended December 31, 2022 and 2021*
	(f)	Unaudited Financial Statements of BAM Re Trustee for the Years-Ended December 31, 2022 and 2021*
	(g)	Unaudited Financial Statements of BAM Re Class B Partnership for the Years-Ended December 31, 2022 and 2021*
	(h)	Audited Financial Statements of ANAT for the years ended December 31, 2022, 2021 and 2020
	(i)	Unaudited Quarterly Financial Statement of ANAT for the Quarter-Ended March 31, 2023, June 30, 2023 and September 30, 2023
	(j)	Unaudited Unconsolidated Balance Sheets of BAM Re Holdings for the Year-Ended December 31, 2021, BAMR US for the Years-Ended December 31, 2022 and 2021 and BAMR US Holdings for the Year-Ended December 31, 2022*

(k)		Personal Financial Statements of Bruce Flatt for the Years Ended December 31, 2022, December 31, 2021 and December 31, 2020 (*on file with the Division*)
(l)		Personal Financial Statements of Brian Kingston for the Years Ended December 31, 2022, December 31, 2021 and December 31, 2020 (*on file with the Division*)
12	AEL Holdco Annual Reports	
(a)		Annual Report of AEL Holdco for the Year-End 2022
(b)		Annual Report of AEL Holdco for the Year-End 2021
13	Brookfield Reinsurance Annual Reports	
(a)		Annual Report of Brookfield Reinsurance for the Year-End 2022
(b)		Annual Report of Brookfield Reinsurance for the Year-End 2021

* The Applicants are requesting confidential treatment with respect to the information contained in the exhibits marked with an asterisk and have filed such information under separate cover as part of a confidential supplement to this Application.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

The Applicants hereby designate Brookfield Reinsurance as the ultimate control person for purposes of providing the information required by Form F. Brookfield Reinsurance agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs. Brookfield Reinsurance further agrees to annually provide the Form F as described in Iowa Code Section 521A.4 for so long as control exists. Brookfield Reinsurance further acknowledges that it and all subsidiaries within its insurance holding company system shall provide information to the Commissioner upon request as necessary to evaluate enterprise risk to the Domestic Insurers.

[*signature pages follow*]

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, American National Group, LLC has caused this application to be duly signed on its behalf in the City of Galveston and State of Texas on the 16th day of August, 2023.

(Seal)

AMERICAN NATIONAL GROUP, LLC

By: Timothy A. Walsh
Name: Timothy A. Walsh
Title: President & Chief Executive Officer

Attest:

By: Gretta Bassett
Name: Gretta Bassett
Title: Assistant Secretary,
Director, Executive Administration

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of American National Group, LLC; that deponent is the President and Chief Executive Officer of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

Timothy A. Walsh
(Signature)
Name: Timothy A. Walsh

[Signature Page to Iowa Form A (American National Group, LLC)]

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, ANG Midco I LLC has caused this application to be duly signed on its behalf in the City of Toronto and Province of Ontario on the 11th day of December, 2023.

ANG MIDCO I LLC

By: ______________________
Name: Paul Forestell
Title: Manager and Managing Partner

Attest:

By: ______________________
Name: Stacey Weltman
Title: Legal Associate

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated December 11th, 2023, for and on behalf of ANG Midco I LLC; that deponent is the Manager and Managing Partner of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)

Name: Paul Forestell

[*Signature Page to Iowa Form A (ANG Midco I LLC)*]

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, ANG Topco I LLC has caused this application to be duly signed on its behalf in the City of Toronto and Province of Ontario on the 11th day of December, 2023.

STACEY FAY WELTMAN NOTARY PUBLIC ONTARIO

ANG TOPCO I LLC

By: ______________________
Name: Paul Forestell
Title: Manager and Managing Partner

Attest:

By: ______________________
Name: Stacey Weltman
Title: Legal Associate

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated December 11th, 2023, for and on behalf of ANG Topco I LLC; that deponent is the Manager and Managing Partner of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)

Name: Paul Forestell

[*Signature Page to Iowa Form A (ANG Topco I LLC)*]

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, BAMR US Holdings LLC has caused this application to be duly signed on its behalf in the City of TORONTO and State of ONTARIO (province) on the 16th day of August, 2023.

(Seal)

BAMR US HOLDINGS LLC

By: ______________________
Name: Jonathan Bayer
Title: Manager & Managing Partner

Attest:

By: ______________________
Name: Krysten Bortolotti
Title: Vice President, Legal.

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of BAMR US Holdings LLC; that deponent is the Manager and Managing Partner of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Jonathan Bayer

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, BAMR US Holdings (Bermuda) I Ltd. has caused this application to be duly signed on its behalf in the City of Hamilton and State of Bermuda on the 16th day of August, 2023.

(Seal)

BAMR US HOLDINGS (BERMUDA) I LTD.

By: ______________________
Name: Anna Knapman-Scott
Title: Secretary

Attest:

By: ______________________
Name: TORBJORN WRIGHT
Title: VICE PRESIDENT - PRICING

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of BAMR US Holdings (Bermuda) I Ltd.; that deponent is the Secretary of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Anna Knapman-Scott

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, BAM Re Holdings Ltd. has caused this application to be duly signed on its behalf in the City of Hamilton and State of Bermuda on the 16th day of August, 2023.

(Seal)

BAM RE HOLDINGS LTD.

By: ______________________
Name: Anna Knapman-Scott
Title: Secretary

Attest:

By: ______________________
Name: TORBJORN WRIGHT
Title: VICE PRESIDENT - PRICING

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of BAM Re Holdings Ltd.; that deponent is the Secretary of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Anna Knapman-Scott

[Signature Page to Iowa Form A (BAM Re Holdings Ltd.)]

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, Brookfield Reinsurance Ltd. has caused this application to be duly signed on its behalf in the City of Hamilton and State of Bermuda on the 16th day of August, 2023.

(Seal)

BROOKFIELD REINSURANCE LTD.

By: ____________________
Name: Anna Knapman-Scott
Title: Secretary

Attest:

By: ____________________
Name: TORBJORN WRIGHT
Title: VICE PRESIDENT-PRICING

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of Brookfield Asset Management Reinsurance Partners Ltd.; that deponent is the Secretary of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Anna Knapman-Scott

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, BAM Re Partners Trust has caused this application to be duly signed on its behalf in the City of Toronto and State of Ontario (province) on the 16th day of August, 2023.

(Seal)

BAM RE PARTNERS TRUST
By its trustee, BAM RE TRUSTEE LTD.

By: ______________________
Name: Katayoon Sarpash
Title: Vice President of BAM Re Trustee Ltd.

Attest:

By: ______________________
Name: Kristen Bartolotti
Title: Vice President, Investments

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of BAM Re Trustee Ltd. as the trustee of BAM Re Partners Trust; that deponent is the Vice President of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Katayoon Sarpash

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, BAM Re Trustee Ltd. has caused this application to be duly signed on its behalf in the City of Toronto and State of Ontario (province) on the 16th day of August, 2023.

(Seal)

BAM RE TRUSTEE LTD.

By: ______________________
Name: Katayoon Sarpash
Title: Vice President

Attest:

By: ______________________
Name: Kryston Bartoloth
Title: Vice President, Investments

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of BAM Re Trustee Ltd.; that deponent is the Vice President of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Katayoon Sarpash

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, Partners FC Ltd. has caused this application to be duly signed on its behalf in the City of HAMILTON and State of BERMUDA on the 16th day of August, 2023.

COUNTRY

(Seal)

PARTNERS FC LTD.

By: James Bodi

Name: James Bodi

Title: Director

Attest:

By:

Name: Monica Kelly

Title: Legal Counsel and Corporate Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of Partners FC Ltd.; that deponent is a Director of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

James Bodi

(Signature)

Name: James Bodi

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, Partners FC II Ltd. has caused this application to be duly signed on its behalf in the City of HAMILTON and State of BERMUDA COUNTRY on the 16th day of August, 2023.

(Seal)

PARTNERS FC II LTD.

By: James Bodi
Name: James Bodi
Title: Director

Attest:

By:
Name: Monica Kelly
Title: Legal Counsel and Corporate Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of Partners FC II Ltd.; that deponent is a Director of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

James Bodi
(Signature)
Name: James Bodi

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, Partners BK Ltd. has caused this application to be duly signed on its behalf in the City of New York and State of New York on the 16th day of August, 2023.

(Seal)

PARTNERS BK LTD.

By: ______________________
Name: Brian Kingston
Title: Director

Attest:

By: ______________________
Name: Colleen Jones
Title: Director

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023, for and on behalf of Partners BK Ltd.; that deponent is a Director of such company and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Brian Kingston

Item 14. **SIGNATURE AND CERTIFICATION**

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, Brian Kingston has caused this application to be duly signed on his behalf in the City of New York and State of New York on the 16th day of August, 2023.

(Seal)

BRIAN KINGSTON

By: ______________________

Attest:

By: ______________________
Name: Colleen Jones
Title: Director

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023 and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: Brian Kingston

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 191-45, James Bruce Flatt has caused this application to be duly signed on his behalf in the City of London and ~~State~~ Country of England on the 16th day of August, 2023.

(Seal)

JAMES BRUCE FLATT

By: ______________________

Attest:

By: ______________________
Name: Joelle Lim
Title: coordinator

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated August 16th, 2023 and that deponent is authorized to file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

____
(Signature)
Name: James Bruce Flatt

EXHIBIT 1

Merger Agreement

AGREEMENT AND PLAN OF MERGER

by and among

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY,

BROOKFIELD REINSURANCE LTD.,

ARCHES MERGER SUB INC.,

and, solely for the limited purposes set forth herein,

BROOKFIELD ASSET MANAGEMENT LTD.

Dated as of July 4, 2023

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS AND TERMS

ARTICLE II

THE MERGER

ARTICLE III

EFFECT ON THE SHARE CAPITAL OF THE CONSTITUENT ENTITIES; PAYMENT OF CONSIDERATION

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

ARTICLE X

MISCELLANEOUS

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of July 4, 2023, is by and among American Equity Investment Life Holding Company, an Iowa corporation (the "Company"), Brookfield Reinsurance Ltd., a Bermuda exempted company limited by shares ("Parent"), Arches Merger Sub Inc., an Iowa corporation and a wholly owned Subsidiary of Parent ("Merger Sub" and, together with Parent, the "Parent Entities"), and solely for purposes of Article VI and Sections 3.02(a)(ii)(B), 3.02(d), 7.02, 7.04, 7.14(d), 7.20 and 8.03(c), Brookfield Asset Management Ltd., a company incorporated under the laws of the Province of British Columbia ("BAM"). The Company, Parent, Merger Sub and BAM are each referred to in this Agreement as a "party" and collectively as the "parties".

WHEREAS, as of the date hereof, North End RE (Cayman) SPC and Freestone Re Ltd. (together, the "Parent Group Shareholders"), each an affiliate of Parent, collectively own 15,886,163 shares of common stock, par value $1.00, of the Company ("Common Stock");

WHEREAS, the Board of Directors of each of Parent (the "Parent Board") and Merger Sub (the "Merger Sub Board") have unanimously (i) determined that the terms of this Agreement are in the best interests of Parent and Merger Sub, as applicable, (ii) adopted this Agreement and the transactions provided for herein in which Merger Sub will, in accordance with the Laws of the State of Iowa and subject to the terms and conditions set forth herein, merge with and into the Company, with the Company surviving such merger (the "Merger") and (iii) declared the advisability of this Agreement and the Merger, and the Merger Sub Board has (x) directed that this Agreement and the transactions contemplated by this Agreement, including the Merger, be submitted to Parent (as Merger Sub's sole shareholder) for its approval and (y) resolved to recommend approval of the Merger and this Agreement to Parent (as Merger Sub's sole shareholder);

WHEREAS, the Board of Directors of the Company (the "Company Board") has unanimously (i) determined that this Agreement and the transactions contemplated by this Agreement, including the Merger, are advisable, fair to and in the best interests of the Company and its shareholders (other than the Parent Group Shareholders and any other Affiliates of Parent that are holders of Common Stock (collectively, "Parent Affiliated Shareholders")), including in consideration of community interest factors as authorized to be considered by Section 490.1108A of the IBCA ("community interest factors"), (ii) adopted this Agreement and the transactions contemplated by this Agreement, including the Merger, (iii) directed that this Agreement and the transactions contemplated by this Agreement, including the Merger, be submitted to the shareholders of the Company for their approval and (iv) resolved, subject to Section 7.03, to recommend approval of the Merger and this Agreement to the Company's shareholders;

WHEREAS, concurrently with the execution of this Agreement and as a condition to the willingness of Parent and Merger Sub to enter into this Agreement, the

Chief Executive Officer of the Company (the "CEO") has entered into a consulting agreement with Parent;

WHEREAS, concurrently with the execution of this Agreement, and as a condition to the willingness of the Company to enter into this Agreement, Parent has delivered to the Company a guaranty, dated as of the date hereof (the "Guaranty"), in favor of the Company and certain other Persons, and pursuant to which BN is guaranteeing certain obligations of certain persons under this Agreement;

WHEREAS, simultaneously with the execution and delivery of this Agreement, as a condition to the willingness of the Company to enter into this Agreement, the Parent Group Shareholders have entered into an agreement with the Company substantially in the form attached as Exhibit A (the "Voting Agreement"), pursuant to which, subject to the terms and conditions therein, the Parent Group Shareholders have agreed to vote all of their respective shares of Common Stock in favor of, and to otherwise support, the Merger; and

WHEREAS, the Company, the Parent Entities and BAM desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the foregoing, each party agrees as follows:

ARTICLE I

DEFINITIONS AND TERMS

SECTION 1.01. Definitions. As used in this Agreement, the following terms have the meanings ascribed thereto below:

"Acceptable Confidentiality Agreement" means any confidentiality agreement entered into by the Company from and after the date of this Agreement that contains provisions that are not materially less favorable in the aggregate to the Company than those contained in the Confidentiality Agreement and does not prohibit the Company from complying with its obligations set forth in Section 7.03 (it being understood that such confidentiality agreement need not contain a standstill provision or otherwise prohibit the making or amending of a Takeover Proposal if such Takeover Proposal is made directly to the Company and not publicly disclosed).

"Action" means any action, suit or proceeding by or before any Governmental Authority.

"Actuarial Appraisal" has the meaning set forth in Section 4.16(a).

"Adverse Recommendation Change" has the meaning set forth in Section 7.03(d).

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by Contract or otherwise. For purposes of this Agreement, (a) Parent and its Subsidiaries shall be deemed not to be Affiliates or portfolio companies of BN, BAM and their respective Subsidiaries, (b) BAM shall be deemed not to be an Affiliate or portfolio company of BN and its Subsidiaries and (c) Parent, BN and BAM and their respective Subsidiaries shall be deemed not to be Affiliates of the Company or any of its Subsidiaries.

"Agreement" has the meaning set forth in the preamble.

"Anti-Bribery Legislation" means all and any of the following: the U.S. Foreign Corrupt Practices Act of 1977; the Organisation for Economic Cooperation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and related implementing legislation; the relevant common law or legislation in England and Wales relating to bribery and/or corruption, including the Public Bodies Corrupt Practices Act 1889, the Prevention of Corruption Act 1906 as supplemented by the Prevention of Corruption Act 1916 and the Anti-Terrorism, Crime and Security Act 2001, the Bribery Act 2010, the Proceeds of Crime Act 2002, the Bermuda Bribery Act 2016 and any other applicable anti-bribery or anti-corruption related provisions in criminal and anti-competition Laws and/or other applicable Laws relating to bribery or corruption.

"Antitrust Laws" means the Sherman Antitrust Act of 1890, the Clayton Antitrust Act of 1914, the HSR Act, the Federal Trade Commission Act, all applicable non-U.S. antitrust Laws and all other applicable Laws issued by a Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

"Applicable SAP" means, with respect to any Company Insurance Subsidiary, the applicable statutory accounting principles (or local equivalents in the applicable jurisdiction) prescribed or permitted by the Insurance Regulator of such Company Insurance Subsidiary's domiciliary jurisdiction.

"Ardea Partners" has the meaning set forth in Section 4.24.

"Articles of Merger" shall mean the articles of merger in the form mutually agreed to by Parent and the Company, as required by and executed in accordance with the IBCA.

"BAM" has the meaning set forth in the preamble.

"BAM Class A Fixed Stock Price" means an amount in cash equal to $16.15.

"BAM Class A Stock" has the meaning set forth in Section 6.02.

"BAM Class A Stock Price" means the volume-weighted average sales price per share taken to four decimal places of BAM Class A Stock on the US Consolidated Tape over the period of 10 consecutive trading days concluding with the market closing trade on the NYSE on the fifth trading day immediately preceding the Closing Date (such period, the "BAM Class A Stock Price Measuring Period"), as calculated by Bloomberg Financial LP under the function "VWAP" by using the instruction "BAM US Equity AQR" (or, if not available, in another authoritative source mutually selected by the Company and Parent).

"BAM Class A Stock Price Measuring Period" has the meaning set forth in the definition of "BAM Class A Stock Price".

"BAM Class B Stock" has the meaning set forth in Section 6.02.

"BAM Disclosure Letter" has the meaning set forth in Article VI.

"BAM Material Adverse Effect" means any effect, change, event, circumstance or development that, individually or in the aggregate with all other effects, changes, events, circumstances or developments, has or would reasonably be expected to have a material adverse effect on the business, assets, results of operations or condition (financial or otherwise) of BAM and its Subsidiaries taken as a whole; provided, however, that in no event shall any of the following, or any effect, change, event, circumstance or development arising out of, or resulting from, the following, constitute or be taken into account, individually or in the aggregate, in determining whether a BAM Material Adverse Effect has occurred or may occur (except to the extent contemplated by the proviso at the end of this definition): (a) general economic or regulatory, legislative or political conditions or securities, credit, financial or other capital markets conditions in any jurisdiction (including with respect to interest rates, exchange rates for currencies, monetary policy or inflation), (b) any failure, in and of itself, by BAM to meet any internal or published projections, forecasts, guidance, estimates, milestones, budgets or predictions in respect of internal or published revenues, earnings, expenses, cash flow, cash position or other financial or operating metrics for any period (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such failure that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a BAM Material Adverse Effect), (c) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war (whether or not declared) (including civil war and including with respect to the Russian Federation and Ukraine or any matter arising therefrom), sabotage, terrorism (including cyber-terrorism), man-made disaster, epidemics, pandemics or disease outbreaks (including COVID-19 or any COVID Measures) or any escalation or worsening of any of the foregoing, (d) any volcano, tsunami, hurricane, tornado, windstorm, flood, earthquake, wildfire or other natural disaster or any conditions resulting from such natural disasters, (e) the negotiation, execution and delivery of this Agreement, the announcement, pendency or performance of the Transactions, or the identity of, or facts relating to, the Company, (f) the suspension of trading in securities of BAM on the NYSE or TSX or any change, in and of itself, in the market price, ratings or trading volume of BAM's or any of its Subsidiaries' securities (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such change that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a BAM Material Adverse Effect), (g) any change in applicable Law (including COVID Measures) (or interpretation or enforcement thereof) or GAAP (or interpretation or enforcement thereof), including but not limited to legal or regulatory requirements and accounting and financial reporting pronouncements by the SEC and the FASB or rating agency methodology or (h) any action taken or not taken by BAM or any of its Subsidiaries as expressly required by the terms of this Agreement (but, in the event of any such failure to take an action, only if the Company has refused to provide a waiver to the applicable prohibition in this Agreement); provided further, however, that any effect, change, event, circumstance or development referred to in clause (a), (c), (d) or (g) (other than with respect to interest rates) may be taken into account in determining whether or not there has been a BAM Material Adverse Effect to the extent such effect, change, event, circumstance or development has a disproportionate adverse effect on BAM and its Subsidiaries, taken as a whole, relative to other participants in BAM's industries in the geographic regions or product markets in which BAM and its Subsidiaries operate (in which case only the incremental disproportionate effect or effects may be taken into account in determining whether or not a BAM Material Adverse Effect has occurred).

"BAM Organizational Documents" means, collectively, BAM's Notice of Articles and Articles of BAM in each case, as amended up to and including the date of this Agreement.

"BAM SEC Documents" has the meaning set forth in Article VI.

"BAM ULC" means Brookfield Asset Management ULC, a company organized under the laws of British Columbia, Canada.

"Bankruptcy and Equity Exception" has the meaning set forth in Section 4.03(a).

"Barclays" has the meaning set forth in Section 5.11.

"BN" means Brookfield Corporation, a corporation organized under the laws of Ontario, Canada.

"Book-Entry Share" has the meaning set forth in Section 3.01(d)(ii).

"Broker-Dealer Subsidiary" means AEL Financial Services, LLC.

"Burdensome Condition" has the meaning set forth in Section 7.05(f).

"business day" means any day except a Saturday, a Sunday or other day on which the SEC or banks in the City of New York, the City of Toronto, Canada or the City of Des Moines, Iowa are authorized or required by applicable Law to be closed.

"Cap Amount" has the meaning set forth in Section 7.08(c).

"Capitalization Date" has the meaning set forth in Section 4.02(a).

"Cash Consideration" has the meaning set forth in Section 3.01(d)(i)(A).

"CEO" has the meaning set forth in the recitals.

"Certificate" has the meaning set forth in Section 3.01(d)(ii).

"Claim" has the meaning set forth in Section 7.08(b).

"Closing" has the meaning set forth in Section 2.02.

"Closing Date" has the meaning set forth in Section 2.02.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Common Stock" has the meaning set forth in the recitals.

"community interest factors" has the meaning set forth in the recitals.

"Company" has the meaning set forth in the preamble.

"Company 401(k) Plan" means the Company's Profit Sharing and 401(k) Plan.

"Company Acquisition Agreement" has the meaning set forth in Section 7.03(d).

"Company Awards" means, collectively, Company Restricted Stock, Company RSUs, Company PSUs and Company Options.

"Company Award Conversion Ratio" means the quotient of (i) the Merger Consideration (valuing the Stock Consideration at the BAM Class A Fixed Stock Price for this purpose) divided by (ii) the BAM Class A Stock Price.

"Company Board" has the meaning set forth in the recitals.

"Company Board Recommendation" has the meaning set forth in Section 4.03(b).

"Company Book-Entry Shares" has the meaning set forth in Section 3.02(b).

"Company Bylaws" means the Company's Amended and Restated Bylaws, as amended up to and including the date of this Agreement.

"Company Charter" means the Company's Articles of Incorporation, as amended up to and including the date of this Agreement.

"Company Disclosure Letter" has the meaning set forth in Article IV.

"Company Employee" has the meaning set forth in Section 7.10(a).

"Company Employee List" has the meaning set forth in Section 7.10(g).

"Company ESOP" means the Company's Employee Stock Ownership Plan, as amended and restated generally effective January 1, 2014, as may be amended from time to time.

"Company Insurance Approvals" has the meaning set forth in Section 4.04.

"Company Insurance Policies" means all insurance policies and contracts, together with all binders, slips, certificates, endorsements and riders thereto, that are issued by a Company Insurance Subsidiary.

"Company Insurance Subsidiary" means each Subsidiary of the Company that conducts the business of insurance or reinsurance as an insurance company or a reinsurance company.

"Company Intellectual Property" means all Intellectual Property owned or purported to be owned by the Company and its Subsidiaries.

"Company Lease" has the meaning set forth in Section 4.14(b).

"Company Material Adverse Effect" means any effect, change, event, circumstance or development that, individually or in the aggregate with all other effects, changes, events, circumstances or developments, has or would reasonably be expected to have a material adverse effect on the business, assets, results of operations or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole; provided, however, that in no event shall any of the following, or any effect, change, event, circumstance or development arising out of, or resulting from, the following, constitute or be taken into account, individually or in the aggregate, in determining whether a Company Material Adverse Effect has occurred or may occur (except to the extent contemplated by the proviso at the end of this definition): (a) effects, changes or events generally affecting the insurance, reinsurance or risk management industries in the geographic regions or product markets in which the Company and its Subsidiaries operate or underwrite insurance or reinsurance or manage risk (including changes to interest rates, general market prices and regulatory changes affecting such industries), (b) general economic or regulatory, legislative or political conditions or securities, credit, financial or other capital markets conditions in any jurisdiction (including with respect to interest rates, exchange rates for currencies, monetary policy or inflation and any changes in the Investment Assets resulting therefrom), (c) any failure, in and of itself, by the Company to meet any internal or published projections, forecasts, guidance, estimates, milestones, budgets or predictions in respect of internal or published revenues, earnings, premiums written, expenses, cash flow, cash position or other financial or operating metrics for any period (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such failure that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a Company Material Adverse Effect), (d) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war (whether or not declared) (including civil war and including with respect to the Russian Federation and Ukraine or any matter arising therefrom), sabotage, terrorism (including cyber-terrorism), man-made disaster, epidemics, pandemics or disease outbreaks (including COVID-19 or any COVID Measures) or any escalation or worsening of any of the foregoing, (e) any volcano, tsunami, hurricane, tornado, windstorm, flood, earthquake, wildfire or other natural disaster or any conditions resulting from such natural disasters, (f) the negotiation, execution and delivery of this Agreement, the announcement, pendency or performance of the Transactions, or the identity of, or facts relating to, Parent or any of its Affiliates, including the impact thereof on the relationships of the Company or any of its Subsidiaries with employees, customers, insureds, cedants, policyholders, brokers, agents, financing sources, investment managers, business partners, service providers, Governmental Authorities or reinsurance providers, and including any Action with respect to the Transactions, (g) any change or announcement of a potential change, in and of itself, in the Company's or any of its Subsidiaries' credit, financial strength or claims paying ratings or the ratings of any of the Company's or its Subsidiaries' businesses (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such ratings that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a Company Material Adverse Effect), (h) the suspension of trading in securities of the Company on the NYSE or any change, in and of itself, in the market price, ratings or trading volume of the Company's or any of its Subsidiaries' securities (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such change that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a Company Material Adverse Effect), (i) any change in applicable Law (including COVID Measures) (or interpretation or enforcement thereof), GAAP (or interpretation or enforcement thereof) or in Applicable SAP (or, other than with respect to any permitted practices, interpretation or enforcement thereof), including but not limited to legal or regulatory requirements and accounting and financial reporting pronouncements by the SEC, the National Association of Insurance Commissioners, any Insurance Regulator and the FASB or rating agency methodology, (j) any action taken or not taken by the

Company or any of its Subsidiaries as expressly required by the terms of this Agreement (but, in the event of any such failure to take an action, only if Parent has refused to provide a waiver to the applicable prohibition in this Agreement) or (k) any of the matters set forth on Section 4.06(b) of the Company Disclosure Letter; provided further, however, that any effect, change, event, circumstance or development referred to in clause (a), (b), (d) or (e) (other than with respect to interest rates) may be taken into account in determining whether or not there has been a Company Material Adverse Effect to the extent such effect, change, event, circumstance or development has a disproportionate adverse effect on the Company and its Subsidiaries, taken as a whole, relative to other participants engaged primarily in the insurance or reinsurance or risk management industries in the geographic regions or product markets in which the Company and its Subsidiaries operate or underwrite insurance or reinsurance or manage risk (in which case only the incremental disproportionate effect or effects may be taken into account in determining whether or not a Company Material Adverse Effect has occurred).

"Company Notice" has the meaning set forth in Section 7.03(d).

"Company Option" means each option (whether vested or unvested) to purchase Common Stock granted pursuant to a Company Stock Plan (including for the avoidance of doubt any Performance-Vesting Company Option).

"Company Organizational Documents" means the Company Charter and the Company Bylaws.

"Company Plan" means each plan, program, policy, agreement or other arrangement covering current or former directors, officers, employees or natural independent contractors of the Company or any of its Subsidiaries, that is (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA (whether or not such plan is subject to ERISA), (b) a share option, share purchase, share appreciation right, restricted share, restricted share unit or other share-based or equity-based compensation agreement, program or plan, (c) an individual employment, consulting, severance, retention, termination, restrictive covenant, change-in-control or other similar agreement between such Person and the Company or any of its Subsidiaries or (d) a bonus, incentive, deferred compensation, profit-sharing, retirement, post-employment or post-retirement health, medical, life insurance or other welfare benefit plan, program, policy or arrangement, spending or reimbursement account, paid time off, severance or termination pay, benefit or fringe-benefit plan, program, policy, agreement or other arrangement (other than, in each case, any such plan, program, policy, agreement or other arrangement required by applicable Law, sponsored by a Governmental Authority), whether or not in writing and whether or not funded, in each case, that is sponsored, maintained or contributed to by the Company or any of its Affiliates or with respect to which the Company or any of its Subsidiaries has any actual or contingent liability.

"Company PSU" means each award of Company RSUs subject to performance-based vesting conditions.

"Company Restricted Stock" means Common Stock granted pursuant to a Company Stock Plan that is subject to vesting restrictions.

"Company Rights" has the meaning set forth in Section 4.02(b).

"Company RSU" means each restricted stock unit payable in Common Stock or whose value is determined with reference to the value of Common Stock, granted pursuant to the Company Stock Plans, other than a Company PSU.

"Company SEC Documents" has the meaning set forth in Section 4.05(a).

"Company Securities" has the meaning set forth in Section 4.02(b).

"Company Shareholders Meeting" has the meaning set forth in Section 7.04(c).

"Company Stock Certificates" has the meaning set forth in Section 3.02(b).

"Company Stock Plans" means the Company's (a) 2023 Equity Incentive Plan, (b) Amended and Restated Equity Incentive Plan and (c) 2016 Employee Incentive Plan, in each case, as may be amended or restated from time to time and, in each case, the award agreements thereunder.

"Company Termination Fee" means a cash amount equal to $102,000,000.

"Confidentiality Agreement" has the meaning set forth in Section 7.07.

"Consent" means any consent, waiver, approval, license, Permit, order, non-objection or authorization.

"Contract" means any legally binding agreement, debenture, note, bond, mortgage, indenture, deed, lease, sublease, license or contract other than any Company Plan.

"COVID-19" means SARS-CoV-2 and its disease commonly known as COVID-19, including any intensification, resurgence and any evolutions or additional strains, variations, sequences or mutations thereof or any related or associated epidemics, pandemics, disease outbreaks or public health emergencies.

"COVID Measures" means (a) any quarantine, "shelter in place," "stay at home," workforce reduction, social distancing, shutdown, closure, sequester, safety or similar applicable Law, directive, guidelines or recommendations promulgated by any Governmental Authority, including the Centers for Disease Control and Prevention and the World Health Organization, in each case, in connection with or in response to COVID-19, including the CARES Act and the Families First Coronavirus Response Act, or any other response to COVID-19, and (b) the reversal or discontinuation of any of the foregoing.

"Credit Agreement" means the Credit Agreement, dated as of February 15, 2022, among the Company, the lenders party thereto, and Citizens Bank, N.A., as administrative agent thereunder.

"Credit Agreement Amendments" has the meaning set forth in Section 7.17(c).

"Credit Document" means each Contract pursuant to which the Company or any of its Subsidiaries has created, incurred, assumed or guaranteed any Indebtedness for borrowed money.

"Current D&O Insurance" has the meaning set forth in Section 7.08(c).

"Cybersecurity Incident" means unauthorized access to or use or corruption of the IT Systems (including a ransomware or denial-of-service attack), or the unauthorized access, disclosure, use, corruption or loss of Personal Information or other non-public information.

"Debt Financing" means any debt financing obtained by Parent or any of its Subsidiaries in connection with the Transactions.

"Debt Financing Sources" means the Persons that provide or arrange all or any part of any Debt Financing in connection with the Transactions, including the parties to any commitment letters, engagement letters, credit agreements, indentures or similar debt agreements entered into relating to such Debt Financing. Notwithstanding the foregoing, in no event shall Parent or any of its Affiliates constitute "Debt Financing Sources".

"Depositary Shares" has the meaning set forth in Section 3.01(f)(ii).

"Disclaiming Person Information" has the meaning set forth in Section 7.04(c) of the Parent Disclosure Letter.

"Dissenting Shares" means Common Stock held by a holder of Common Stock, who, as of the Effective Time, (a) neither voted in favor of the Merger nor consented thereto in writing, and (b) demanded properly in writing appraisal for such shares in accordance with Sections 490.1301 through 490.1303 and Sections 490.1320 through 490.1326 of the IBCA.

"DTC" means The Depositary Trust Company.

"Effective Time" means the date and time when the Merger becomes effective, as set forth in the Articles of Merger.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" has the meaning set forth in Section 4.10(d).

"ESOP Loan" means loans outstanding under the Company ESOP.

"ESOP Termination Date" has the meaning set forth in Section 7.10(j).

"Exchange Act" has the meaning set forth in Section 4.04.

"Exchange Agent" has the meaning set forth in Section 3.02(a)(i).

"Exchange Fund" has the meaning set forth in Section 3.02(a)(ii).

"Exchange Ratio" means: if the BAM Class A Stock Price is (i) greater than $35.51, the quotient (rounded to five decimal places) obtained by dividing (x) $17.65 by (y) the BAM Class A Stock Price; (ii) less than or equal to $35.51, but greater than or equal to $30.48, 0.49707; or (iii) less than $30.48, the quotient (rounded to five decimal places) obtained by dividing (x) $15.15 by (y) the BAM Class A Stock Price, subject to reduction pursuant to Section 3.01(e).

"Exchanged RSU" has the meaning set forth in Section 3.03(e).

"FASB" means the Financial Accounting Standards Board.

"Filed SEC Documents" has the meaning set forth in Article IV.

"Filing Person Information" has the meaning set forth in Section 7.05(c) of the Parent Disclosure Letter.

"FINRA" has the meaning set forth in Section 4.04.

"Form F-4" has the meaning set forth in Section 5.03.

"Fraud" means an actual fraud involving a knowing and intentional misrepresentation by a party that resulted in a representation or warranty set forth in Article IV, Article V or Article VI being materially breached (made with the Knowledge that a representation or warranty set forth in Article IV, Article V or Article VI was actually breached when made), and made with the express intent of inducing the other party to enter into this Agreement and upon which such other party has relied to its detriment; provided, however, "Fraud" shall not include any fraud claim based on constructive knowledge, negligent misrepresentation or a similar theory.

"GAAP" means generally accepted accounting principles in the United States, consistently applied.

"Governmental Authority" means any government, legislature, political subdivision, court, board, regulatory or administrative agency, self-regulatory organization or agency, commission or authority or other legislative, executive or judicial governmental entity, whether federal, national, provincial, state, local, foreign or multinational, in each case of competent jurisdiction.

"Guaranty" has the meaning set forth in the recitals.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"IBCA" shall mean the Iowa Business Corporation Act, Chapter 490 of the Iowa Code.

"IMA" has the meaning set forth in Section 4.18(c).

"Indebtedness" means, with respect to any Person at the time of determination, without duplication and regardless of the maturity or when due or payable, (a) any indebtedness for borrowed money, including loans or advances or the issuance and sale of debt securities, (b) any capitalized lease obligations or sale leaseback obligations as determined in accordance with GAAP, (c) any indebtedness under any credit agreement or facility or obligations evidenced by bonds, debentures, notes or other similar instruments, (d) any obligations to pay the deferred purchase price of property or services, except trade accounts payable and other current liabilities arising in the ordinary course of business consistent with past practice, (e) net cash payment obligations that will be payable upon termination of (assuming termination on the date of determination) any agreement in respect of any cap, swap, collar, future, derivative or similar transactions, or any option or similar agreement involving, or settled by reference to, any rate, currency, commodity, price of any equity or debt security or instrument, or economic, financial or pricing index or measure of economic, financial or pricing risk or value, or any similar transaction or combination of the foregoing transactions, (f) any obligations in respect of letters of credit or similar instruments issued or accepted by banks or financial institutions for the account of any Person (including surety bonds and off-balance sheet financing arrangements), to the extent drawn, (g) all interest, indemnities, premiums, penalties, breakage costs (including on interest rate swaps and any other hedging obligations (including foreign currency or exchange contracts)), fees and other obligations related to any of the foregoing, (h) all direct or indirect guarantees or other financial accommodations (or arrangements having the economic effect of a guarantee or financial accommodation) in respect of any of the foregoing for the benefit of another Person and (i) all other obligations which would be required to be shown as indebtedness on a balance sheet of such Person prepared in accordance with GAAP; provided that Indebtedness shall not include any intercompany indebtedness owing between or among the Company and/or any of its Subsidiaries.

"Indemnitee" has the meaning set forth in Section 7.08(a).

"Insurance Contract" means each insurance or annuity policy and contract, together with all binders, slips, certificates, endorsements and riders thereto, issued by any Company Insurance Subsidiary prior to the Closing.

"Insurance Law" means all Laws applicable to the business of insurance or reinsurance or the regulation of insurance or reinsurance companies, whether federal, national, provincial, state, local, foreign or multinational, and all applicable orders, directives of, and market conduct recommendations resulting from market conduct or other examinations by, Insurance Regulators.

"Insurance Producer" means the agents, general agents, sub-agents, brokers, wholesale brokers, insurance solicitors, producers or other Persons who solicit, negotiate or sell the Insurance Contracts.

"Insurance Regulators" means all Governmental Authorities regulating the business of insurance or reinsurance, or regulating insurance or reinsurance companies, under Insurance Laws.

"Intellectual Property" means all intellectual property rights in any and all jurisdictions worldwide, including all: (a) patents and patent applications, including all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (b) trademarks, service marks, trade names, trade dress, acronyms, tag-lines, slogans, logos, URLs and Internet domain names, social media usernames and other digital identifiers and other indicia of origin, together with all goodwill associated with the foregoing; (c) copyrights and rights in copyrightable subject matter in published and unpublished works of authorship, database and design rights, and data collections; (d) trade secrets, inventions and invention disclosures (whether or not patentable), discoveries, techniques, research and development, data and databases, customer and supplier lists, and other confidential and proprietary information (collectively, "Trade Secrets"); (e) all registrations and applications to register or renew the registration of any of the foregoing; and (f) all intellectual property rights in Software and other technology.

"Intervening Event" means a material effect, change, event, circumstance or development that (a) was not known to, or reasonably foreseeable by, the Company Board on the date of this Agreement, which effect, change, event, circumstance or development becomes known to the Company Board prior to the receipt of the Required Shareholder Approval, or if known, the consequences of which were not known to, or reasonably foreseeable by, the Company Board on or prior to the date of this Agreement, and (b) does not relate to (i) a Takeover Proposal or (ii) any (x) changes in the market price or trading volume of the Company or (y) the Company's meeting, failing to meet or exceeding published or unpublished revenue or earnings projections, in each case in and of itself (it being understood that the effect, change, event, circumstance or development giving rise or contributing to the foregoing may be deemed to constitute or be taken into account in determining whether an Intervening Event has occurred).

"Investment Assets" has the meaning set forth in Section 4.18(a).

"Investment Guidelines" has the meaning set forth in Section 4.18(a).

"IRS" means the U.S. Internal Revenue Service.

"IT Systems" means the hardware, Software, data, databases, data communication lines, network and telecommunications equipment, Internet-related information technology infrastructure, wide area network and other information technology and communications equipment, owned, leased or licensed by the Company or any of its Subsidiaries.

"JPM" has the meaning set forth in Section 4.24.

"Knowledge" means, (a) with respect to the Company, the actual knowledge of the individuals listed on Section 1.01 of the Company Disclosure Letter, (b) with respect to Parent or Merger Sub, the actual knowledge of the individuals listed on Section 1.01 of the Parent Disclosure Letter and (c) with respect to BAM, the actual knowledge of the individuals listed on Section 1.01 of the BAM Disclosure Letter.

"Laws" has the meaning set forth in Section 4.08(a).

"Leased Real Property" means all material real property leased or subleased by the Company or any of its Subsidiaries.

"Liens" means any pledges, liens, charges, mortgages, encumbrances, leases, licenses, hypothecations or security interests of any kind or nature.

"Malware" means any virus, Trojan horse, time bomb, key-lock, spyware, worm, malicious code or other software designed or able to, without the knowledge or authorization of the Company or its Subsidiaries, disrupt, disable, or harm the operation of any IT Systems.

"Material Contract" has the meaning set forth in Section 4.15(a).

"Merger" has the meaning set forth in the recitals.

"Merger Consideration" has the meaning set forth in Section 3.01(d)(i).

"Merger Sub" has the meaning set forth in the preamble.

"Merger Sub Board" has the meaning set forth in the recitals.

"Merger Sub Shareholder Approval" has the meaning set forth in Section 7.12.

"Merger Sub Stock" has the meaning set forth in Section 3.01.

"NAIC" has the meaning set forth in Section 7.01(a).

"NYSE" means the New York Stock Exchange.

"OFAC" means the U.S. Treasury Department's Office of Foreign Assets Control.

"Open Source Software" has the meaning set forth in Section 4.12(d).

"Originally Scheduled Date" means the date of the Company Shareholders Meeting set forth in the definitive Proxy Statement/Prospectus mailed by the Company to its shareholders for the Company Shareholders Meeting.

"Outside Date" has the meaning set forth in Section 9.01(b)(i).

"Owned Real Property" means all real property owned in fee simple by the Company or any of its Subsidiaries.

"Parent" has the meaning set forth in the preamble.

"Parent Affiliated Shareholders" has the meaning set forth in the recitals.

"Parent Board" has the meaning set forth in the recitals.

"Parent Disclosure Letter" has the meaning set forth in Article V.

"Parent Entities" has the meaning set forth in the preamble.

"Parent Group Shareholders" has the meaning set forth in the recitals.

"Parent Insurance Approvals" has the meaning set forth in Section 5.03.

"Parent Material Adverse Effect" means any effect, change, event, circumstance or development that, individually or in the aggregate with all other effects, changes, events, circumstances or developments, has or would reasonably be expected to have a material adverse effect on the business, assets, results of operations or condition (financial or otherwise) of Parent and its Subsidiaries taken as a whole; provided, however, that in no event shall any of the following, or any effect, change, event, circumstance or development arising out of, or resulting from, the following, constitute or be taken into account, individually or in the aggregate, in determining whether a Parent Material Adverse Effect has occurred or may occur (except to the extent contemplated by the proviso at the end of this definition): (a) effects, changes or events generally affecting the insurance, reinsurance or risk management industries in the geographic regions or product markets in which Parent and its Subsidiaries operate or underwrite insurance or reinsurance or manage risk (including changes to interest rates, general market prices and regulatory changes affecting such industries), (b) general economic or regulatory, legislative or political conditions or securities, credit, financial or other capital markets conditions in any jurisdiction (including with respect to interest rates, exchange rates for currencies, monetary policy or inflation and any changes in the Investment Assets resulting therefrom), (c) any failure, in and of itself, by Parent to meet any internal or published projections, forecasts, guidance, estimates, milestones, budgets or predictions in respect of internal or published revenues, earnings, premiums written, expenses, cash flow, cash position or other financial or operating metrics for any period (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such failure that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a Parent

Material Adverse Effect), (d) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war (whether or not declared) (including civil war and including with respect to the Russian Federation and Ukraine or any matter arising therefrom), sabotage, terrorism (including cyber-terrorism), man-made disaster, epidemics, pandemics or disease outbreaks (including COVID-19 or any COVID Measures) or any escalation or worsening of any of the foregoing, (e) any volcano, tsunami, hurricane, tornado, windstorm, flood, earthquake, wildfire or other natural disaster or any conditions resulting from such natural disasters, (f) the negotiation, execution and delivery of this Agreement, the announcement, pendency or performance of the Transactions, or the identity of, or facts relating to, Company or any of its Affiliates, (g) any change or announcement of a potential change, in and of itself, in Parent's or any of its Subsidiaries' credit, financial strength or claims paying ratings or the ratings of any of Parent's or its Subsidiaries' businesses (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such ratings that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a Parent Material Adverse Effect), (h) the suspension of trading in securities of Parent on the NYSE or any change, in and of itself, in the market price, ratings or trading volume of Parent's or any of its Subsidiaries' securities (it being understood that the effect, change, event, circumstance or development giving rise or contributing to such change that are not otherwise excluded pursuant to another clause of this definition may be deemed to constitute or be taken into account in determining whether there has been or would reasonably be expected to be a Parent Material Adverse Effect), (i) any change in applicable Law (including COVID Measures) (or interpretation or enforcement thereof), GAAP (or interpretation or enforcement thereof) or in Applicable SAP (or, other than with respect to any permitted practices, interpretation or enforcement thereof), including but not limited to legal or regulatory requirements and accounting and financial reporting pronouncements by the SEC, the National Association of Insurance Commissioners, any Insurance Regulator and the FASB or rating agency methodology or (j) any action taken or not taken by Parent or any of its Subsidiaries as expressly required by the terms of this Agreement (but, in the event of any such failure to take an action, only if Company has refused to provide a waiver to the applicable prohibition in this Agreement); provided further, however, that any effect, change, event, circumstance or development referred to in clause (a), (b), (d) or (e) (other than with respect to interest rates) may be taken into account in determining whether or not there has been a Parent Material Adverse Effect to the extent such effect, change, event, circumstance or development has a disproportionate adverse effect on Parent and its Subsidiaries, taken as a whole, relative to other participants engaged primarily in the insurance or reinsurance or risk management industries in the geographic regions or product markets in which Parent and its Subsidiaries operate or underwrite insurance or reinsurance or manage risk (in which case only the incremental disproportionate effect or effects may be taken into account in determining whether or not a Parent Material Adverse Effect has occurred).

"Parent SEC Documents" has the meaning set forth in Article V.

"party" has the meaning set forth in the preamble.

"Patriot Act" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

"Payoff Amount" has the meaning set forth in Section 7.18.

"Payoff Indebtedness" means any Indebtedness of the Company that is required to be paid at the Closing as a result of the consummation of the Closing pursuant to the Credit Agreement or any other Credit Document evidencing such Indebtedness, other than to the extent a waiver or amendment is obtained with respect thereto as contemplated by Section 7.17.

"Payoff Letter" has the meaning set forth in Section 7.18.

"Performance-Vesting Company Option" means each Company Option subject to performance-based vesting conditions.

"Permits" has the meaning set forth in Section 4.08(a).

"Permitted Liens" means (a) statutory Liens for Taxes, assessments or other charges by Governmental Authorities not yet due and payable or the amount or validity of which is being contested in good faith and by appropriate proceedings and for which adequate reserves are being maintained in accordance with GAAP and Applicable SAP, (b) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' and similar Liens granted or which arise in the ordinary course of business or the amount or validity of which is being contested in good faith and by appropriate proceedings and for which adequate reserves are being maintained in accordance with GAAP and Applicable SAP, (c) Liens securing payment, or any obligation, of the Company or its Subsidiaries with respect to outstanding Indebtedness, (d) Liens granted in the ordinary course of business in connection with the insurance or reinsurance business of the Company or its Subsidiaries on cash and cash equivalent instruments or other investments, including Liens granted (i) in connection with (A) pledges of such instruments or investments to collateralize letters of credit delivered by the Company or its Subsidiaries, (B) the creation of trust funds for the benefit of ceding companies, (C) underwriting activities of the Company or its Subsidiaries, (D) deposit liabilities, (E) statutory deposits, (F) ordinary-course securities lending, repurchase, reverse repurchase, short-sale, derivatives, swap or hedging transactions, (G) any collateral pledged in connection with reinsurance transactions, and (H) any collateral pledged to a Federal Home Loan Bank, and (ii) with respect to investment securities held in the name of a nominee, custodian, depository, clearinghouse or other record owner, (e) pledges or deposits by the Company or any of its Subsidiaries under workmen's compensation Laws, unemployment Insurance Laws or similar legislation, or good-faith deposits in connection with bids, tenders, Contracts (other than for the payment of Indebtedness) or leases to which such entity is a party, or deposits to secure public or statutory obligations of such entity or to secure surety or appeal bonds to which such entity is a party, or deposits as security for contested Taxes, in each case incurred or made in the ordinary course of business, (f) zoning, building codes, entitlement and other land use and environmental regulations by any Governmental Authority provided the same are not presently materially violated and do not, individually or in the aggregate, impair the continued use of the property or asset affected by such restrictions or exclusions that would be shown by a current title report or other similar report and any condition or other matter, if any, that may be shown or disclosed by a current and accurate survey or physical inspection, (g) licenses and other rights or immunities with respect to Intellectual Property, (h) Liens created by or through the actions of Parent or any of its Affiliates, (i) such other Liens or imperfections that are not material in amount or do not materially detract from the value of or materially impair the continued use of the property or asset affected by such Lien or imperfection, (j) Liens arising under or relating to applicable securities laws, (k) Liens that will be terminated at or prior to the Closing in accordance with this Agreement, (l) Liens permitted to be incurred under the Credit Agreement as in effect on the date hereof, (m) Liens arising in the ordinary course of business and not incurred in connection with the borrowing of money and (n) title of a lessor, sub-lessor, licensor or sub-licensor or secured by a lessor's, sub-lessor's, licensor's or sublicensor's interest under a capital or operating lease, sublease, license or sublicense.

"Person" means an individual, corporation, limited liability company, partnership, joint venture, association, trust, unincorporated organization or any other entity, including a Governmental Authority.

"Personal Information" means any information in possession or control of any of the Company or its Subsidiaries that enables a Person in possession thereof to identify a natural person or that is otherwise considered personally identifiable information or personal data under applicable Law.

"Preferred Stock" has the meaning set forth in Section 4.02(a).

"Privacy Obligations" has the meaning set forth in Section 4.12(g).

"Proxy Statement/Prospectus" has the meaning set forth in Section 4.04.

"Reinsurance Agreement" has the meaning set forth in Section 4.17(a).

"Representatives" means, with respect to any Person, (a) its officers, directors and employees and (b) its agents, financial advisors, investment bankers, consultants, attorneys, accountants and other advisors acting on such Person's behalf in connection with the Transactions.

"Required Regulatory Approvals" has the meaning set forth in Section 8.01(c).

"Required Shareholder Approval" has the meaning set forth in Section 4.03(d).

"Reserves" means the reserves of any Company Insurance Subsidiary for losses, claims, unearned premiums, policy benefits and expenses, including unearned premium reserves, reserves for incurred losses, technical reserves, incurred loss adjustment expenses, incurred but not reported losses and loss adjustment expenses, in respect of insurance policies issued, reinsured or assumed by such Company Insurance Subsidiary.

"Restraints" has the meaning set forth in Section 8.01(d).

"Rollover Company RSU" means each Company RSU that is granted following the date hereof and prior to the Closing Date in accordance with the terms set forth in Section 7.01(a)(vi) of the Company Disclosure Letter.

"Rule 1017 Application" has the meaning set forth in Section 4.04.

"Sanctioned Person" means any Person or Governmental Authority that is the subject or target of sanctions or trade/export restrictions under U.S., EU, UK or other applicable sanctions or export controls Laws, including: (a) any Person listed on any list of designated Persons maintained by OFAC; the U.S. Department of Commerce's Entity List, Denied Persons List, or Unverified List; any debarment or sanctions list maintained by the U.S. Department of State; or any other list maintained by U.S. or a non-U.S. Governmental Authority under sanctions or export control Laws; (b) where relevant under applicable sanctions Laws or export control Laws, any Person that is, in the aggregate, 50% or greater owned, directly or indirectly, or controlled by any such Person or Persons described in clause (a) or acting for or on behalf of such Person or Persons described in clause (a); (c) any person located, organized or resident in a country or territory which is itself the subject or target of any comprehensive U.S. sanctions (that is, at the time of this Agreement, the Crimea region of Ukraine, the so-called "Donetsk People's Republic" or "Luhansk People's Republic" regions of Ukraine, the non-government controlled areas of Ukraine in the oblasts of Kherson and Zaporizhzhia, Cuba, Iran, North Korea and Syria); or (d) the Government of Venezuela, or any other Person subject to asset-blocking sanctions under applicable sanctions Laws; provided that the representations and warranties contained in Sections 5.10 and 6.11 hereof shall not be made by any party in so far as such representation or warranty would result in a violation of, or conflict with, the Foreign Extraterritorial Measures (United States) Order, 1992.

"Sarbanes-Oxley Act" has the meaning set forth in Section 4.05(d).

"SEC" has the meaning set forth in Section 4.04.

"Securities Act" means the Securities Act of 1933 and the rules and regulations promulgated thereunder.

"Senior Notes" means the 5.000% Senior Notes due 2027 issued by the Company pursuant to the Senior Notes Indenture.

"Senior Notes Indenture" means the Senior Amended and Restated Indenture, dated as of April 22, 2004, between the Company and U.S. Bank National Association, as trustee, as supplemented by the Third Supplemental Indenture, dated as of June 16, 2017, between the Company and U.S. Bank National Association, as trustee.

"Series A Deposit Agreement" means the Deposit Agreement, dated November 21, 2019, among the Company, Computershare Inc. and Computershare Trust Company, N.A., collectively, as depositary (the "Depositary"), Computershare Inc., as registrar and transfer agent, and the holders from time to time of the depositary receipts described therein relating to the Series A Preferred Stock.

"Series A Depositary Share" has the meaning set forth in Section 3.01(f)(i).

"Series A Preferred Stock" has the meaning set forth in Section 4.02(a).

"Series B Deposit Agreement" means the Deposit Agreement, dated June 17, 2020, among the Company, the Depositary, Computershare Trust Company, N.A., as registrar and transfer agent, and the holders from time to time of the depositary receipts described therein relating to the Series B Preferred Stock.

"Series B Depositary Share" has the meaning set forth in Section 3.01(f)(ii).

"Series B Preferred Stock" has the meaning set forth in Section 4.02(a).

"Software" means any (a) computer programs, including all software implementations of algorithms, models and methodologies, whether in source code or object code, (b) databases, (c) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, in each case, in any and all forms of media, and (d) documentation, including user manuals and other training documentation, related to any of the foregoing.

"Specified Business Conduct Laws" means: (a) the Anti-Bribery Legislation; (b) all legal requirements imposing trade sanctions on any Person, including all legal requirements administered by OFAC, all sanctions laws or embargos imposed or administered by the U.S. Department of State, the United Nations Security Council, His Majesty's Treasury or the European Union and all anti-boycott or anti-embargo laws; (c) all legal requirements relating to the import, export, re-export, transfer of information, data, goods and technology, including the Export Administration Regulations administered by the U.S. Department of Commerce, the International Traffic in Arms Regulations administered by the U.S. Department of State and customs Laws and regulations administered by U.S. Customs and Border Protection; and (d) the Money Laundering Control Act of 1986, the Currency and Foreign Transactions Reporting Act of 1970, The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, and other applicable legal requirements relating to money laundering.

"Statutory Statements" has the meaning set forth in Section 4.23.

"Stock Consideration" has the meaning set forth in Section 3.01(d)(i)(B).

"Subsidiary" when used with respect to any party, means any corporation, limited liability company, partnership, association, trust or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power (or, in the case of a partnership, more than 50% of the general partnership interests) are, as of such date, owned by such party or one or more Subsidiaries of such party or by such party and one or more Subsidiaries of such party. For purposes of this Agreement, (a) BAM ULC shall be deemed a Subsidiary of BAM and (b) any joint ventures or any Investment Assets that are not wholly-owned and not controlled (as defined in the definition of "Affiliate") by the Company or any of its Subsidiaries shall be deemed not to be Subsidiaries of the Company.

"Superior Proposal" means any bona fide written Takeover Proposal that did not result from a breach of Section 7.03 and that the Company Board has determined in its good-faith judgment, after consultation with its financial advisors and outside legal counsel, and taking into account all relevant (in the view of the Company Board) legal, regulatory, financial and other aspects of such proposal (including the conditionality, timing and likelihood of consummation of such proposal and the payment of any termination fee, as well as community interest factors), would be reasonably likely to be consummated on the terms proposed and would be more favorable to the shareholders of the Company than the Merger; provided that for purposes of the definition of "Superior Proposal," the references to "20%" in the definition of Takeover Proposal shall be deemed to be references to "50%."

"Surviving Common Stock" has the meaning set forth in Section 3.01(a).

"Surviving Company" has the meaning set forth in Section 2.01.

"Takeover Law" has the meaning set forth in Section 4.13.

"Takeover Proposal" means any inquiry, proposal (whether or not in writing) or offer from any Person or group (other than Parent and its Affiliates) relating to, in a single transaction or series of related transactions, any direct or indirect (a) acquisition (including any reinsurance or retrocession transaction, or transaction that has similar risk transfer effects, and any asset management transaction) that if consummated would result in any Person or group owning or managing 20% or more of the consolidated assets (based on the fair market value thereof, as determined in good faith by the Company Board), reserves, revenues or net income of the Company and its Subsidiaries, (b) acquisition of Common Stock representing 20% or more of the outstanding Common Stock, (c) tender offer or exchange offer that if consummated would result in any Person or group having beneficial ownership of Common Stock representing 20% or more of the outstanding Common Stock, (d) merger, amalgamation, consolidation, share exchange, share purchase, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its Subsidiaries pursuant to which such Person or group (or the shareholders of any Person) would acquire, directly or indirectly, 20% or more of the aggregate voting power of the Company or of the surviving entity in such transaction or the resulting direct or indirect parent of the Company or such surviving entity or (e) any combination of the foregoing, in each case, other than by or on behalf of Parent or any of its Affiliates.

"Tax" means any federal, state, local or non-U.S. income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, premium, withholding, alternative or added minimum, ad valorem, transfer or excise tax, or any other tax, governmental fee or similar duty, fee or charge or assessment in the nature of a tax, together with any interest or penalty or additions thereto imposed by any Governmental Authority with respect to such amount.

"Tax Returns" means all reports, returns, statements, declarations or forms required or permitted to be filed with a Governmental Authority relating to Taxes, including any amendment thereof or schedule or supplement thereto.

"Trade Secrets" has the meaning set forth in the definition of "Intellectual Property."

"Transactions" means, collectively, the transactions contemplated by this Agreement, including the Merger.

"Trust" has the meaning as set forth in Section 4.10(l).

"Trustee" means, Principal Financial Group Inc, an Iowa corporation, not in its corporate capacity but solely in its capacity as trustee of the Company ESOP.

"TSX" has the meaning as set forth in Section 6.08(f).

"VWAP PSUs" means the Company PSUs granted pursuant to the employee restricted stock unit award agreement, dated November 29, 2022, by and between the Company and the CEO.

"Voting Agreement" has the meaning set forth in the recitals.

"Willful Breach" means, with respect to any party, a material breach of this Agreement by such party that is a consequence of an act or omission undertaken by the breaching party with the knowledge that the taking of or the omission of taking such act would, or would reasonably be expected to, cause or constitute a material breach of this Agreement.

SECTION 1.02. Interpretation.

(a) As used in this Agreement, references to the following terms have the meanings indicated:

(i) to the Preamble or to the Recitals, Sections, Articles, Exhibits or Schedules are to the Preamble or a Recital, Section or Article of, or an Exhibit or Schedule to, this Agreement unless otherwise clearly indicated to the contrary;

(ii) to any Contract (including this Agreement) or "organizational document" are to the Contract or organizational document as amended, modified, supplemented or replaced from time to time;

(iii) to any Law are to such Law as amended, modified, supplemented or replaced from time to time and any rules or regulations promulgated thereunder and to any section of any Law include any successor to such section;

(iv) to any Governmental Authority include any successor to the Governmental Authority and to any Affiliate include any successor to the Affiliate;

(v) to any "copy" of any Contract or other document or instrument are to a true and complete copy thereof;

(vi) to "hereof," "herein," "hereunder," "hereby," "herewith" and words of similar import refer to this Agreement as a whole and not to any particular Article, Section or clause of this Agreement, unless otherwise clearly indicated to the contrary;

(vii) to the "date of this Agreement," "the date hereof" and words of similar import refer to July 4, 2023; and

(viii) to "this Agreement" includes the Exhibits and Schedules (including the Company Disclosure Letter, the Parent Disclosure Letter and the BAM Disclosure Letter) to this Agreement.

(b) Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." The word "or" shall not be exclusive. Any singular term in this Agreement will be deemed to include the plural, and any plural term the singular. All pronouns and variations of pronouns will be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the Person referred to may require. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(c) Whenever the last day for the exercise of any right or the discharge of any duty under this Agreement falls on a day other than a business day, the party having such right or duty shall have until the next business day to exercise such right or discharge such duty. Unless otherwise indicated, the word "day" shall be interpreted as a calendar day. With respect to any determination of any period of time, unless otherwise set forth herein, the word "from" means "from and including" and the word "to" means "to but excluding."

(d) The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

(e) References to "dollars" or "$" mean United States dollars, unless otherwise clearly indicated to the contrary.

(f) Any document shall be determined to have been "delivered," "furnished," "provided" or "made available" to a Person if such document has been uploaded to the electronic data rooms established by the Company at Intralinks entitled "Project Janus" or electronically delivered to such Person or its Representatives at least by 11:59 p.m. New York City time on the date immediately preceding the date of this Agreement.

(g) The Parent Entities, BAM and the Company have participated jointly in the negotiation and drafting of this Agreement; consequently, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parent Entities, BAM and the Company and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(h) No summary of this Agreement prepared by or on behalf of any party shall affect the meaning or interpretation of this Agreement.

(i) All capitalized terms used without definition in the Exhibits and Schedules (including the Company Disclosure Letter, the Parent Disclosure Letter and the BAM Disclosure Letter) to this Agreement shall have the meanings ascribed to such terms in this Agreement.

ARTICLE II

THE MERGER

SECTION 2.01. Merger. Upon the terms and subject to the conditions set forth in this Agreement, and pursuant to applicable provisions of the IBCA, at the Effective Time, Merger Sub shall be merged with and into the Company, the separate corporate existence of Merger Sub shall thereupon cease, and the Company shall be the surviving company in the Merger (such surviving company, the "Surviving Company").

SECTION 2.02. Closing; Effective Time. The closing (the "Closing") shall take place as soon as practicable, and in any event not later than five business days after the satisfaction or (to the extent permitted herein and by applicable Law) waiver by the party entitled to the benefits thereof of the conditions set forth in Article VIII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or (to the extent permitted herein and by applicable Law) waiver of those conditions at such time) or at such other time as each party hereto may agree in writing; provided that, notwithstanding the satisfaction or waiver of such conditions, in no event shall the Closing occur prior to January 5, 2024, unless Parent elects to waive this proviso in its sole discretion (which election must be made by Parent no later than December 11, 2023) (the date on which the Closing occurs is referred to in this Agreement as the "Closing Date"). The Closing shall take place remotely by the exchange of electronic documents by facsimile, PDF or other electronic means. The Merger shall become effective at the Effective Time as set forth in the Articles of Merger, which Merger Sub and the Company shall file with the Secretary of State of the State of Iowa on the Closing Date.

SECTION 2.03. Effects of Merger. From and after the Effective Time, the Merger shall have the effects set forth in this Agreement and the applicable provisions of the IBCA. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all of the property owned, and every contractual right possessed, by the Company and Merger Sub shall vest in the Surviving Company, and all liabilities of the Company and Merger Sub shall become the liabilities of the Surviving Company.

SECTION 2.04. Articles of Incorporation and Bylaws of the Surviving Company. At the Effective Time, the articles of incorporation and bylaws of the Surviving Company shall be amended and, with respect to the bylaws, restated in substantially the form of the articles of incorporation and bylaws of Merger Sub as in effect immediately prior to the Effective Time, except (i) that the name of the Surviving Company shall remain as American Equity Investment Life Holding Company, until thereafter changed or amended as provided therein or pursuant to applicable Law (in each case, subject to Section 7.08), and (ii) as required pursuant to Section 3.01(f) with respect to the preferred stock of the Surviving Company.

SECTION 2.05. Board of Directors and Officers of Surviving Company. The directors of Merger Sub in office immediately prior to the Effective Time shall be the directors of the Surviving Company until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be, in accordance with the IBCA and the bylaws of the Surviving Company. Except to the extent requested in writing by Parent in advance of the Effective Time, the officers of the Company in office immediately prior to the Effective Time shall be the officers of the Surviving Company until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be, in accordance with the bylaws of the Surviving Company.

ARTICLE III

EFFECT ON THE SHARE CAPITAL OF THE CONSTITUENT ENTITIES; PAYMENT OF CONSIDERATION

SECTION 3.01. Effect of Merger on the Share Capital of Merger Sub and the Company. At the Effective Time, by virtue of the occurrence of the Merger, and without any action on the part of the Company, Parent, Merger Sub or any holder of any shares of Common Stock, any shares of Preferred Stock or any shares, par value $1.00 per share, of Merger Sub ("Merger Sub Stock"):

(a) Share Capital of Merger Sub. Each share of Merger Sub Stock issued and outstanding immediately prior to the Effective Time shall automatically be converted into and become one duly authorized, validly issued, fully paid and nonassessable share of common stock, par value $1.00 per share, of the Surviving Company ("Surviving Common Stock").

(b) Parent-Owned Common Stock. Each issued and outstanding share of Common Stock that is owned by Parent, any Parent Group Shareholder, Merger Sub or any other direct or indirect Subsidiary of Parent immediately prior to the Effective Time shall automatically become one duly authorized, validly issued, fully paid and nonassessable share of Surviving Common Stock.

(c) Cancelation of Treasury Stock. Each share of Common Stock owned by the Company as treasury stock and each share of Common Stock issued and outstanding immediately prior to the Effective Time and owned by the Company or any direct or indirect Subsidiary of the Company immediately prior to the Effective Time shall automatically be canceled and shall cease to exist and be outstanding, and no consideration shall be delivered in exchange therefor.

(d) Conversion of Common Stock.

(i) Subject to Section 3.01(b), Section 3.01(c) and Section 3.05, each share of Common Stock issued and outstanding immediately prior to the Effective Time, shall automatically be canceled and converted into and shall thereafter represent the right to receive the following consideration (the "Merger Consideration"):

(A) an amount in cash equal to $38.85, without interest (the "Cash Consideration"), subject to adjustment as provided for in Section 3.01(e); and

(B) a number of fully paid and nonassessable shares of BAM Class A Stock equal to the Exchange Ratio (the "Stock Consideration"), subject to adjustment as provided for in Section 3.01(e), and cash in lieu of fractional shares of BAM Class A Stock.

(ii) As of the Effective Time, each share of Common Stock canceled pursuant to Section 3.01(d)(i) shall no longer be issued and outstanding and shall automatically be canceled and shall cease to exist, and each holder of a certificate that immediately prior to the Effective Time evidenced any such shares of Common Stock (each, a "Certificate") or any such Common Stock in uncertified form through a direct registry system immediately prior to the Effective Time (each, a "Book-Entry Share") shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, cash in lieu of fractional shares of BAM Class A Stock, if any, and any unpaid dividends or other distributions pertaining to the Common Stock represented by such Certificate or Book-Entry Share, as applicable, to be paid in consideration therefor, in accordance with Section 3.02(b) without interest.

(e) Adjustments to Merger Consideration.

(i) If at any time during the period between the date of this Agreement and the Effective Time, any change in the outstanding BAM Class A Stock or Common Stock shall occur by reason of any reclassification, recapitalization, split or combination (including a reverse stock split), exchange, merger, consolidation or readjustment of shares, or any stock dividend thereon with a record date during such period, or any similar transaction or event, the Merger Consideration, the Exchange Ratio and any other similarly dependent items, as the case may be, shall be appropriately and equitably adjusted to provide the holders of Common Stock the same economic effect as contemplated by this Agreement prior to such event. Nothing in this Section 3.01(e)(i) shall be construed as permitting the Company or BAM to take any action or enter into any transaction otherwise prohibited by this Agreement.

(ii) Notwithstanding anything to the contrary in this Agreement, if the BAM Class A Stock Price is less than $30.48, Parent and BAM shall have the right (in their sole discretion) to elect to reduce (but not to below zero) the Exchange Ratio by delivering written notice of such election to the Company no later than 4:00 p.m. New York time on the second trading day immediately preceding the Closing Date; provided that, unless Parent and BAM elect to reduce the Exchange Ratio to zero, any such reduction in the Exchange Ratio shall not result in the value of the aggregate amount of Stock Consideration (determined on the basis of the BAM Class A Stock Price) after giving effect to such reduction being less than $200,000,000. If Parent and BAM make such an election, (A) the amount of the Cash Consideration shall be increased by an amount equal to the product of (1) the positive excess of (x) the Exchange Ratio as determined in accordance with the definition thereof prior to giving effect to such reduction, over (y) the Exchange Ratio after giving effect to such reduction, multiplied by (2) the BAM Class A Stock Price and (B) if such election reduces the Exchange Ratio to zero, (1) all of BAM's obligations pursuant to Sections 3.02(a)(ii)(B) and 3.02(d), Article VI and Sections 7.02, 7.04, 7.14(d), 7.20 and 8.03(c) shall automatically cease to have any further force and effect and (2) the conditions set forth in Sections 8.01(b), 8.01(e), 8.03(c) and 8.03(d) shall be deemed waived by all of the parties hereto and of no further force or effect (provided, however, that this subclause (1) shall not relieve BAM of any liability for any breach of any such provision by BAM prior to the making of such election).

(f) Preferred Stock. At the Effective Time, by virtue of the Merger and without any action on the part of any holder thereof,

(i) each share of Series A Preferred Stock issued and outstanding immediately prior to the Effective Time shall be unaffected by the Merger and remain outstanding as one share of Series A Preferred

Stock of the Surviving Company entitled to the same dividends and all other preferences and privileges, voting rights, relative, participating, optional and other special rights, and subject to the same qualifications, limitations and restrictions, set forth in the certificate of designations applicable thereto as of immediately prior to the Effective Time, and (B) each depositary share issued pursuant to the Series A Deposit Agreement, representing one-thousandth of one share of Series A Preferred Stock ("Series A Depositary Share") issued and outstanding immediately prior to the Effective Time shall be unaffected by the Merger and remain outstanding and represent one-thousandth of one share of Series A Preferred Stock of the Surviving Company; and

(ii) each share of Series B Preferred Stock issued and outstanding immediately prior to the Effective Time shall be unaffected by the Merger and remain outstanding as one share of Series B Preferred Stock of the Surviving Company entitled to the same dividends and all other preferences and privileges, voting rights, relative, participating, optional and other special rights, and subject to the same qualifications, limitations and restrictions, set forth in the certificate of designations applicable thereto as of immediately prior to the Effective Time, and (B) each depositary share issued pursuant to the Series B Deposit Agreement, representing one-thousandth of one share of Series B Preferred Stock ("Series B Depositary Share", together with the Series A Depositary Shares, the "Depositary Shares") issued and outstanding immediately prior to the Effective Time shall be unaffected by the Merger and remain outstanding and represent one-thousandth of one share of Series B Preferred Stock of the Surviving Company.

(g) Preferred Stock Dividends Declared Prior to Closing. Parent acknowledges and agrees on its behalf and on behalf of the Surviving Company that if, prior to the Closing Date, any dividend for which a record date prior to the Closing Date and a payment date following the Closing Date has been declared to holders of Preferred Stock, that such dividend shall be paid by or on behalf of the Surviving Company to holders of record as of such record date on the applicable payment date.

(h) Surviving Company Stock. At the Effective Time, if any Stock Consideration is included in the Merger Consideration, the Surviving Company will issue shares of Surviving Common Stock to Parent in consideration for Parent depositing or causing to be deposited such Stock Consideration pursuant to Section 3.02(a)(ii). The number of shares of Surviving Common Stock issued to Parent pursuant to this Section 3.01(h) will have a fair market value equal to the fair market value of such Stock Consideration.

SECTION 3.02. Exchange Fund.

(a) Exchange Agent.

(i) Not less than 30 days prior to the anticipated Closing Date, Parent shall designate a bank or trust company reasonably acceptable to the Company to act as agent (the "Exchange Agent") for the purpose of exchanging shares of Common Stock for the Merger Consideration in accordance with this Article III and, in connection therewith, shall enter into an agreement with the Exchange Agent prior to the Closing Date in a form reasonably acceptable to the Company.

(ii) Prior to the Effective Time, (A) Parent shall deposit or cause to be deposited with the Exchange Agent an amount in cash in U.S. dollars that is sufficient to pay the aggregate Cash Consideration, and any cash payable in lieu of fractional shares of BAM Class A Stock pursuant to Section 3.02(e); and (B) BAM and Parent shall deposit or cause to be deposited with the Exchange Agent evidence of BAM Class A Stock in book-entry form in the name of the Exchange Agent (or its designee) representing an aggregate number of shares of BAM Class A Stock sufficient to deliver the aggregate Stock Consideration (such cash and shares of BAM Class A Stock being hereinafter referred to as the "Exchange Fund"). Parent agrees to deposit, or cause to be deposited, with the Exchange Agent from time to time, as needed, cash in U.S. dollars sufficient to pay any dividends and other distributions pursuant to Section 3.02(h).

(iii) The Exchange Fund shall be held in trust by the Exchange Agent for the benefit of the holders of Common Stock that are entitled to receive the Merger Consideration. Pending its disbursement in accordance with this Section 3.02, the cash portion of the Exchange Fund shall be invested by the Exchange Agent as directed by Parent in (i) short-term direct obligations of the United States of America, (ii) short-term obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, (iii) short-term commercial paper rated the highest quality by either Moody's Investors Service, Inc. or Standard and Poor's Ratings Services or (iv) certificates of deposit, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding $10,000,000,000 (based on the most recent financial statements of such bank that are then publicly available). Parent shall or shall cause the Surviving Company to promptly replace or restore the cash in the Exchange Fund so as to ensure that the Exchange Fund is at all times maintained at a level sufficient for the Exchange Agent to promptly make all payments to former holders of Common Stock of the Merger Consideration. No investment losses resulting from investment of the funds deposited with the Exchange Agent shall diminish the rights of any former holder of Common Stock to receive the Merger Consideration. The Exchange Fund shall not be used for any purpose other than the payment to holders of Common Stock of the Merger Consideration.

(b) Letter of Transmittal; Exchange of Common Stock. As soon as practicable after the Effective Time (but in no event later than three business days after the Effective Time), the Surviving Company or Parent shall cause the Exchange Agent to mail to each holder of record of a Certificate that immediately prior to the Effective Time evidenced any Common Stock to be canceled pursuant to Section 3.01(d)(i) ("Company

Stock Certificates") a form of letter of transmittal (which (i) shall specify that delivery of a Company Stock Certificate shall be effected, and risk of loss and title to such Company Stock Certificate shall pass, only upon delivery of such Company Stock Certificate to the Exchange Agent and (ii) shall be in such form and have such other customary provisions as the Surviving Company may specify, subject to the Company's reasonable approval (to be obtained prior to the Effective Time)), together with instructions thereto, setting forth, *inter alia*, the procedures by which holders of Company Stock Certificates may receive the Merger Consideration pursuant to this Article III. Upon the completion of such applicable procedures by a holder and the surrender of such holder's Company Stock Certificates (or affidavit of loss in lieu thereof in accordance with Section 3.02(c)) for cancellation to the Exchange Agent, and without any action by any holder of record of Book-Entry Shares that immediately prior to the Effective Time represented any Common Stock ("Company Book-Entry Shares"), the Exchange Agent shall deliver to such holder (other than any holder of Common Stock representing Dissenting Shares), (A) in the case of Company Book-Entry Shares, a notice of the effectiveness of the Merger, (B) the number of shares of BAM Class A Stock representing, in the aggregate, the whole number of shares of BAM Class A Stock, if any, that such holder has the right to receive as Stock Consideration and (C) an amount of cash that such holder has the right to receive as Cash Consideration and cash in lieu of fractional shares of BAM Class A Stock, if any, in each case, with respect to the shares of Common Stock represented by such Company Stock Certificate or Company Book-Entry Shares immediately prior to the Effective Time, and such Company Stock Certificates or Company Book-Entry Shares shall forthwith be canceled. If payment of the Merger Consideration is to be made to a Person other than the Person in whose name a Company Stock Certificate surrendered is registered, it shall be a condition of payment that (x) the Company Stock Certificate so surrendered shall be properly endorsed or shall otherwise be in proper form for transfer and (y) the Person requesting such payment shall have established to the reasonable satisfaction of the Surviving Company that any transfer and other Taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder either has been paid or is not applicable. Notwithstanding the foregoing, with respect to any shares of Common Stock held through DTC, Parent and the Company shall cooperate to establish procedures with the Exchange Agent and DTC to ensure that the Exchange Agent will transmit to DTC or its nominees as soon as reasonably practicable on or after the Closing Date, upon surrender of Common Stock held of record by DTC or its nominees in accordance with DTC's customary surrender procedures, the Merger Consideration, and cash in lieu of fractional shares of BAM Class A Stock, if any, in each case, that such holder has the right to receive pursuant to this Article III. Until satisfaction of the applicable procedures contemplated by this Section 3.02 and subject to Section 3.05, each Company Stock Certificate or Company Book-Entry Share shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration formerly represented by such Company Stock Certificate or Company Book-Entry Share as contemplated by this Article III. No interest shall be paid or shall accrue on the cash payable with respect to any Common Stock pursuant to this Article III.

(c) Lost, Stolen or Destroyed Company Stock Certificates. If any Company Stock Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Company Stock Certificate to be lost, stolen or destroyed and, if required by the Surviving Company, the posting by such Person of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim that may be made against it with respect to such Company Stock Certificate, the Surviving Company shall cause the Exchange Agent to pay, in exchange for such lost, stolen or destroyed Company Stock Certificate, the applicable Merger Consideration as contemplated by this Article III.

(d) Termination of Exchange Fund. At any time following the first anniversary of the Closing Date, the Surviving Company shall be entitled to require the Exchange Agent to deliver to it any portion of the Exchange Fund (including any interest received with respect to the Exchange Fund and any shares of BAM Class A Stock) that had been delivered to the Exchange Agent and which has not been disbursed to former holders of Common Stock, and thereafter such former holders shall be entitled to look only to Parent, BAM and the Surviving Company for, and Parent, BAM and the Surviving Company shall remain liable for, payment of their claims of the Merger Consideration that such former holders have the right to receive pursuant to the provisions of this Article III. Any amounts remaining unclaimed by such holders at such time at which such amounts would otherwise escheat to or become property of any Governmental Authority shall become, to the extent permitted by applicable Law, the property of Parent or its designee, free and clear of all claims or interest of any Person previously entitled thereto.

(e) No Fractional Shares. No certificates, receipts or scrip representing fractional interests in BAM Class A Stock will be issued upon the surrender or transfer for exchange of Company Stock Certificates or Company Book-Entry Shares, no dividend or distribution of BAM will relate to such fractional BAM Class A Stock interests, and such fractional BAM Class A Stock interests will not entitle the owner thereof to vote or to any rights of a holder of BAM Class A Stock. Parent shall pay to the Exchange Agent an amount in cash to be deposited promptly following the Effective Time, sufficient for the Exchange Agent to pay each holder of Company Stock Certificates or Company Book-Entry Shares an amount in cash (rounded to the nearest cent) equal to the product of (1) the fraction of a share of BAM Class A Stock (rounded to the nearest thousandth when expressed in decimal form) to which such holder (after aggregating all fractional BAM Class A Stock interests to be received by such holder) would otherwise have been entitled to receive, multiplied by (2) an amount equal to the BAM Class A Stock Price.

(f) No Liability. Notwithstanding any provision of this Agreement to the contrary, none of the Company, BAM, the Parent Entities, the Surviving Company or the Exchange Agent shall be liable to any Person for Merger Consideration lawfully delivered to a public official pursuant to any applicable state, federal or other abandoned property, escheat or similar applicable Law.

(g) Transfer Books; No Further Ownership Rights in Common Stock. The Merger Consideration paid in respect of each share of Common Stock in accordance with the terms of this Article III shall be deemed to have been paid in full satisfaction of all rights pertaining to such Common Stock previously represented by such Certificates or Book-Entry Shares, subject, however, to Section 3.05. At the Effective Time, the share transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers on the share transfer books of the Surviving Company of any shares of Common Stock that were issued and outstanding immediately prior to the Effective Time. From and after the Effective Time, the holders of Common Stock formerly represented by Certificates or Book-Entry Shares immediately prior to the Effective Time shall cease to have any rights with respect to such underlying Common Stock, except as otherwise provided for herein or by applicable Law. Subject to the last sentence of Section 3.02(d), if, at any time after the Effective Time, Certificates or Book-Entry Shares are presented to the Surviving Company for any reason, they shall be canceled and exchanged as provided in this Article III.

(h) Distributions with Respect to Un-surrendered Shares. All shares of BAM Class A Stock to be delivered as Stock Consideration to a holder of Common Stock pursuant to this Agreement shall be deemed delivered as of the Effective Time and whenever a dividend or other distribution is declared by BAM in respect of the BAM Class A Stock, the record date for which is at or after the Effective Time, that declaration shall include dividends or other distributions in respect of all shares of BAM Class A Stock to be delivered as Stock Consideration pursuant to this Agreement. No dividends or other distributions in respect of shares of BAM Class A Stock delivered as Stock Consideration pursuant to this Agreement shall be paid to any holder of any un-surrendered Company Stock Certificate until the Company Stock Certificate (or affidavit of loss in lieu of such Company Stock Certificate as provided in Section 3.02(c)) is surrendered for exchange in accordance with this Article III. Subject to applicable Law, following such surrender, there shall be issued or paid to the holder of record of the whole shares of BAM Class A Stock delivered as Stock Consideration in exchange for the Company Stock Certificates (and any Company Book-Entry Shares held by such holder) in accordance with this Article III, without interest, (i) at the time of such surrender, the dividends or other distributions with a record date after the Effective Time theretofore payable with respect to such whole shares of BAM Class A Stock and not paid and (ii) at the appropriate payment date, the dividends or other distributions payable with respect to such whole shares of BAM Class A Stock with a record date after the Effective Time and prior to surrender, but with a payment date subsequent to surrender. Such holder of Company Book-Entry Shares shall be entitled to vote after the Effective Time at any meeting of holders of BAM Class A Stock with a record date at or after the Effective Time the number of whole shares of BAM Class A Stock into which the shares represented by such Company Book-Entry Shares have been exchanged pursuant to this Agreement, regardless of whether such holder has exchanged its Company Stock Certificates.

(i) Withholding Taxes. Parent, Merger Sub, the Surviving Company and the Exchange Agent (without duplication) shall be entitled to deduct and withhold from the amounts otherwise payable pursuant to this Agreement (including in respect of Company Awards) such amounts as are required to be deducted and withheld with respect to the making of such payment under the Code, or any provision of other applicable Tax Law. To the extent amounts are so withheld and paid over to the appropriate Governmental Authority in accordance with applicable Law, the withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made. The parties hereby agree to use commercially reasonable efforts to provide written notice to the party entitled to the relevant payment of any anticipated withholding or deduction prior to making any deduction or withholding from amounts payable pursuant to this Agreement, and further agree to take commercially reasonable efforts to cooperate to eliminate or reduce any such deduction or withholding.

SECTION 3.03. Company Awards. Prior to the Effective Time, the Company Board (or, if appropriate, any duly authorized committee thereof administering the Company Stock Plans) shall adopt such resolutions and take such other actions as may be required to provide for the following:

(a) Company Options. Each Company Option (whether vested or unvested) outstanding immediately prior to the Effective Time shall, as of the Effective Time, automatically and without any required action by the holder thereof, be canceled and the holder thereof shall then become entitled to receive, in full satisfaction of the rights of such holder with respect thereto, a cash payment, without interest, equal to the product, rounded to the nearest cent, of (i) the number of shares of Common Stock subject to such Company Option immediately prior to the Effective Time and (ii) the excess, if any, of the Merger Consideration (valuing the Stock Consideration for purpose of this Section 3.03(a) at the BAM Class A Fixed Stock Price) over the exercise price per share of such Company Option; provided that any Company Option with an exercise price per share that is equal to or greater than the Merger Consideration (valuing the Stock Consideration for purpose of this Section 3.03(a) at the BAM Class A Fixed Stock Price) shall be automatically canceled as of Closing for no consideration.

(b) Company RSUs. Each Company RSU (other than a Rollover Company RSU) outstanding immediately prior to the Effective Time shall, as of the Effective Time, automatically and without any required action by the holder thereof, vest and be canceled and the holder thereof shall then become entitled to receive, in full satisfaction of the rights of such holder with respect thereto, a cash payment, without interest, equal to the product, rounded to the nearest cent, of (i) the number of shares of Common Stock subject to such Company RSU immediately prior to the Effective Time and (ii) the Merger Consideration (valuing the Stock Consideration for purpose of this Section 3.03(b) at the BAM Class A Fixed Stock Price).

(c) Company PSUs. Each Company PSU outstanding immediately prior to the Effective Time shall, as of the Effective Time, automatically and without any required action by the holder thereof, vest and be canceled and the holder thereof shall then become entitled to receive, in full satisfaction of the rights of such holder with respect thereto, a cash payment, without interest, equal to the product, rounded to the nearest cent, of (i) the number of shares of Common Stock subject to such Company PSU immediately prior to the Effective Time (assuming for (A) Company PSUs other than VWAP PSUs, a performance level determined based on the greater of target and actual performance as reasonably determined by the Compensation and Talent Management

Committee of the Company Board immediately prior to the Effective Time and (B) for VWAP PSUs, attainment of applicable performance goals based on the Merger Consideration (valuing the Stock Consideration for purpose of this Section 3.03(c) at the BAM Class A Fixed Stock Price)) and (ii) the Merger Consideration (valuing the Stock Consideration for purpose of this Section 3.03(c) at the BAM Class A Fixed Stock Price).

(d) Company Restricted Stock. Each award of Company Restricted Stock outstanding immediately prior to the Effective Time shall, at the Effective Time, automatically and without any required action on the part of the holder thereof, have any restrictions thereon lapse and the holder thereof shall then become entitled to receive, in full satisfaction of the rights of such holder with respect thereto, a cash payment, without interest, equal to the product, rounded to the nearest cent, of (i) the number of shares of Company Restricted Stock held by such holder immediately prior to the Effective Time and (ii) the Merger Consideration (valuing the Stock Consideration for purpose of this Section 3.03(d) at the BAM Class A Fixed Stock Price).

(e) Rollover Company RSUs. Any Company RSU that is a Rollover Company RSU outstanding immediately prior to the Effective Time shall, at the Effective Time, automatically and without any required action by the holder thereof, cease to represent an award denominated in Common Stock and shall be converted into an award of cash-settled restricted stock units denominated in shares of BAM Class A Stock(an "Exchanged RSU"), with the number of shares subject to each such Exchanged RSU equal to the product (rounded to the nearest whole number) of (i) the number of shares of Common Stock subject to such Rollover Company RSU immediately prior to the Effective Time and (ii) the Company Award Conversion Ratio. Except as specifically provided above, following the Effective Time, each Exchanged RSU shall continue to be governed by the same material terms and conditions (including vesting schedule and termination protections established for the applicable Company RSU) as were applicable to the Rollover Company RSU immediately prior to the Effective Time.

SECTION 3.04. Payments with Respect to Company Awards. Notwithstanding anything in this Agreement to the contrary, all amounts payable pursuant to this Article III in respect of each Company Award (other than the Rollover Company RSUs) shall be paid as promptly as reasonably practicable after the Effective Time, but in no event later than the second regularly scheduled payroll date following the Effective Time, by the Surviving Company or any of its Subsidiaries through their payroll systems, less applicable Tax withholdings (or, in the case of non-employee directors, such other method as the Company typically utilizes for payments to such Persons), to the holders of the Company Awards; provided that, with respect to any Company Awards that constitute nonqualified deferred compensation subject to Section 409A of the Code and that are not permitted to be paid at the Effective Time without triggering a Tax or penalty under Section 409A of the Code, such payment shall be made at the earliest time permitted under the applicable Company Stock Plan and award agreement that will not trigger a Tax or penalty under Section 409A of the Code.

SECTION 3.05. Shares of Dissenting Holders.

(a) Notwithstanding any provision of this Agreement to the contrary, Dissenting Shares shall not be converted into, or represent the right to receive, the Merger Consideration. As of the Effective Time, each Dissenting Share shall no longer be issued and outstanding and shall automatically be canceled and shall cease to exist, and each holder of a Dissenting Share immediately prior to the Effective Time shall be entitled to receive payment of the appraised value of such shares of Common Stock held by them in accordance with the applicable provisions of the IBCA, except that all Dissenting Shares held by shareholders who shall have failed to perfect or who effectively shall have withdrawn or lost their rights to appraisal of such shares of Common Stock under the IBCA shall thereupon be deemed to have been converted into, and to have become exchangeable for, as of the Effective Time, the right to receive the Merger Consideration, without any interest thereon, upon completion of applicable procedures and surrender of the Company Stock Certificates in accordance with Section 3.02(b) or, in the case of holders of Company Book-Entry Shares, without any action by such holder in accordance with Section 3.02(b), and in each case, shall cease to be Dissenting Shares hereunder.

(b) The Company shall give Parent (i) prompt notice of any demands for appraisal received by the Company, withdrawals of such demands, and any other related instruments received by the Company; and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the IBCA. The Company shall not, except with the prior written consent of Parent, make any payment with respect to any demands for appraisal or offer to settle or settle any such demands.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Merger Sub that, except as (A) set forth in the corresponding section of the disclosure letter delivered by the Company to Parent and Merger Sub on the date of this Agreement (the "Company Disclosure Letter") (it being agreed that disclosure set forth in one section or sub-section of the Company Disclosure Letter shall be deemed disclosure with respect to, and shall be deemed to apply to and qualify, the section or sub-section of this Article IV to which it corresponds in number and each other section or sub-section of this Article IV to the extent the qualifying nature of such disclosure with respect to such other section or sub-section is reasonably apparent on the face of such disclosure) or (B) disclosed in any report, schedule, form, statement or other document (including exhibits) filed with, or furnished to, the SEC by the Company and publicly available at least three business days prior to the date of this Agreement (the "Filed SEC Documents"), other than any disclosure contained in such Filed SEC Documents under the heading "Risk Factor" or "Forward-Looking Statements" or sections of such reports, or that otherwise constitute risk factors or forward-looking statements:

SECTION 4.01. Organization; Standing.

(a) The Company is an Iowa corporation duly incorporated and organized and validly existing under the IBCA. The Company has all requisite power and authority necessary to carry on its business as it is now being conducted, and to own, lease and operate its assets, rights and properties in all material respects. The Company is duly licensed or qualified to do business and is in good standing (where such concept is recognized under applicable Law) in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions.

(b) A true, complete and correct copy of each of the Company Organizational Documents is included in the Filed SEC Documents. The Company is not in material violation of any provision of the Company Organizational Documents, and no Subsidiary of the Company is in material violation of its certificates or articles of incorporation, memorandum of association, bylaws, bye-laws or other comparable charter or organizational documents except as would not be material to the Company and its Subsidiaries, taken as a whole. The Company has made available to Parent true, complete and correct copies of the organizational documents of each of the Company's Subsidiaries set forth in Section 4.01(b) of the Company Disclosure Letter, in each case as amended and in effect as of the date hereof.

(c) Each of the Company's Subsidiaries is duly incorporated or organized, validly existing and in good standing (where such concept is recognized under applicable Law) under the Laws of the jurisdiction of its incorporation or organization, except where the failure to be so incorporated or organized, existing and in good standing would not reasonably be expected to have a Company Material Adverse Effect, taken as a whole.

SECTION 4.02. Capitalization.

(a) The authorized share capital of the Company consists of 200,000,000 shares of Common Stock and 2,000,000 shares of Preferred Stock. At the close of business on June 30, 2023 (the "Capitalization Date"), (i) 77,885,597 shares of Common Stock (including 959,314 shares of Common Stock held by the Company ESOP, of which 959,314 shares are allocated and no shares are unallocated) were issued and outstanding, (ii) 2,895,500 shares of Common Stock under the Company Stock Plans of which (A) 196,394 are shares of Company Restricted Stock, (B) 447,308 shares are subject to outstanding Company RSUs, (C) 628,841 and 1,691,015 shares of Common Stock are subject to outstanding Company PSUs (assuming achievement of any applicable performance criteria at the target and maximum levels, respectively), and (D) 1,622,957 shares are subject to unexercised Company Options (whether vested or unvested, including 1,405,820 shares subject to vested and unexercised Company Options), (iii) 3,056,407 shares of Common Stock are reserved and available for issuance under the Company Stock Plans, (iv) 16,000 shares of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A, of the Company (the "Series A Preferred Stock") were issued and outstanding, (v) 12,000 shares of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B, of the Company (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock") were issued and outstanding and (vi) 31,693,317 shares of Common Stock were held by the Company as treasury stock or held by its Subsidiaries. Since the Capitalization Date through the date of this Agreement, other than in connection with the vesting, settlement or exercise of Company Awards or pursuant to allocation under the Company ESOP, neither the Company nor any of its Subsidiaries has issued any Company Securities.

(b) Except as described in this Section 4.02, as of the Capitalization Date, there were (i) no outstanding shares of Common Stock, Preferred Stock or other equity or voting interests in the Company (including bonds, debentures, notes or other Indebtedness of the Company having the right to vote), (ii) no outstanding securities of the Company convertible into or exchangeable for Common Stock or other equity or voting interests in the Company, (iii) except pursuant to any Company Awards, any Company Stock Plan or the Company ESOP, no outstanding options, warrants, rights or other commitments or agreements to acquire from the Company, or that obligate the Company to issue, any Common Stock, Preferred Stock or other equity or voting interests in, or any securities convertible into or exchangeable for Common Stock, Preferred Stock or other equity or voting interests in the Company (collectively, "Company Rights," and the items in clauses (i), (ii) and (iii) being referred to collectively as "Company Securities") and (iv) no other obligations by the Company or any of its Subsidiaries to make any payments based on the price or value of any Company Securities or dividends paid thereon. Other than in connection with the Company Awards or pursuant to a Company Stock Plan, there are no outstanding agreements of any kind that obligate the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Company Securities or that grant from the Company or any of its Subsidiaries any preemptive rights, anti-dilutive rights, rights of first refusal or similar rights with respect to any Company Securities. Except as described in this Section 4.02, no direct or indirect Subsidiary of the Company owns any Common Stock or Preferred Stock. None of the Company or any Subsidiary of the Company is a party to any shareholders' agreement, voting trust agreement, registration rights agreement or other similar agreement or understanding relating to any Company Securities or any other agreement relating to the disposition or voting with respect to any Company Securities. All issued and outstanding Common Stock and Preferred Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights. As of the date of this Agreement, there are no accrued and unpaid dividends with respect to the Common Stock or the Preferred Stock.

(c) The Common Stock and the Depositary Shares constitute the only issued classes of shares or other securities of the Company or its Subsidiaries registered under the Exchange Act.

(d) All of the issued and outstanding share capital or shares of capital stock of, or other equity or voting interests in, each Subsidiary of the Company (except for directors' qualifying shares or the like) are owned, directly or indirectly, beneficially and of record, by the Company free and clear of all Liens, except for Permitted Liens. Each issued and outstanding share capital or share of capital stock of each Subsidiary of the Company that is held, directly or indirectly, by the Company, is duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights, and there are no subscriptions, options, warrants, rights, calls, contracts or other commitments that obligate the Company or any Subsidiary of the Company to issue any share capital or shares of capital stock or other equity or voting interests of any Subsidiary of the Company, including any right of conversion or exchange under any outstanding security, instrument or agreement, any agreements granting any preemptive rights, subscription rights, anti-dilutive rights, rights of first refusal or similar rights with respect to any securities of any Subsidiary of the Company. None of the Subsidiaries of the Company has any outstanding equity compensation plans relating to the share capital or capital stock of, or other equity or voting interests in, any Subsidiary of the Company.

(e) The Company has made available to Parent accurate and complete copies of all Company Stock Plans, any other Contracts pursuant to which any Company Awards are outstanding as of the date of this Agreement and the forms of all Company Award agreements (and any individual award agreements whose terms materially deviate from such forms) evidencing such Company Awards as of the date of this Agreement. The exercise price of each Company Option is no less than the fair market value of a share of Common Stock as determined on the date of grant of such Company Option. All grants of Company Awards were recorded on the Company's financial statements (including any related notes thereto) contained in all reports filed with the SEC in accordance with GAAP. All Company Awards have been issued and granted in compliance in all material respects with the terms of the applicable Company Stock Plan and all applicable Laws.

SECTION 4.03. Authority; Noncontravention; Voting Requirements.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and, subject to obtaining the Required Shareholder Approval, to consummate the Transactions. The execution, delivery and performance by the Company of this Agreement, and the consummation by the Company of the Transactions, have been duly and unanimously authorized and approved by the Company Board, and, except for obtaining the Required Shareholder Approval, no other corporate action (including any shareholder vote or other action) on the part of the Company is necessary to authorize the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the Transactions. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by each other party, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, rehabilitation, conservatorship, liquidation, receivership and other similar Laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity, whether considered in a proceeding at law or in equity (together, the "Bankruptcy and Equity Exception").

(b) The Company Board has unanimously (i) determined that this Agreement and the Transactions, including the Merger, are advisable, fair to and in the best interests of the Company and its shareholders (other than the Parent Group Shareholders and any other Parent Affiliated Shareholders), including in consideration of community interest factors, (ii) approved and adopted this Agreement and the Transactions, including the Merger, (iii) directed that this Agreement and the Transactions, including the Merger, be submitted to the shareholders of the Company for their approval and (iv) resolved, subject to Section 7.03, to recommend approval of the Merger and this Agreement to the Company's shareholders (such recommendation, the "Company Board Recommendation"), and, as of the date of this Agreement, such resolutions have not been subsequently rescinded, modified or withdrawn in any way.

(c) Neither the execution and delivery of this Agreement by the Company, nor the consummation by the Company of the Transactions, nor performance of or compliance by the Company with any of the terms or provisions hereof, will (i) conflict with or violate any provision of (A) the Company Organizational Documents or (B) the certificates or articles of incorporation, memorandums of association, bylaws, bye-laws or other comparable charter or organizational documents of any of the Company's Subsidiaries or (ii) assuming (A) compliance with the matters set forth in Section 5.02(c) (other than Section 5.02(c)(ii)(A)) (and assuming the accuracy of the representations and warranties made in such Section 5.02(c)), (B) that the actions described in Section 4.03(a) have been completed, (C) that the Consents referred to in Section 4.04 and the Required Shareholder Approval are obtained and (D) that the filings referred to in Section 4.04 are made and any waiting periods thereunder have terminated or expired, in the case of each of the foregoing clauses (A) through (D), prior to the Effective Time, (x) violate in any material respect any Law applicable to the Company or any of its Subsidiaries, (y) require any consent or notice, or conflict with, violate or constitute a default under any of the terms, conditions or provisions of any Material Contract, or any Reinsurance Agreement or IMA or give rise to any right of purchase, termination, amendment, acceleration or cancellation under, result in the loss of any benefit to the Company or, if applicable, its Subsidiaries under, or result in the triggering of any payments by the Company or, if applicable, its Subsidiaries pursuant to, any such Material Contract, or Reinsurance Agreement or IMA or (z) result in the creation of any Lien on any properties or assets of the Company or any of its Subsidiaries, except, in the case of clauses (ii)(y) and (ii)(z), as would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions.

(d) A majority of the votes cast (in person or by proxy) in favor of the approval of this Agreement and the Merger by the holders of the Common Stock present and voting together as a single class at the Company Shareholders Meeting (the "Required Shareholder Approval"), is the only vote of, or approval by, the holders of any class or series of share capital of the Company or any of its Subsidiaries that is necessary to approve this Agreement and the Merger; provided that a quorum is established at the Company Shareholders Meeting by attendance (in person or by proxy) of the holders of a majority of the Common Stock issued and outstanding.

SECTION 4.04. Governmental Approvals. Except for (a) compliance with the applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (collectively, the "Exchange Act"), including the filing with the Securities and Exchange Commission (the "SEC") of a proxy statement on Schedule 14A relating to the Company Shareholders Meeting (as amended or supplemented from time to time, the "Proxy Statement/Prospectus"), (b) compliance with the rules and regulations of the NYSE, (c) the filing of the Articles of Merger as required by the IBCA, (d) filings required under, and compliance with other applicable requirements of, the HSR Act, and such other Consents, filings, declarations or registrations as are required to be made or obtained under any other Antitrust Laws set forth in Section 4.04(d) of the Company Disclosure Letter, (e) the filing with the Financial Industry Regulatory Authority ("FINRA") of an application by the Broker-Dealer Subsidiary under FINRA Rule 1017 (the "Rule 1017 Application") and the receipt of FINRA's approval of such application, (f) compliance with any applicable state securities or blue sky laws, (g) approvals, filings and notices under all applicable Insurance Laws as set forth in Section 4.04(g) of the Company Disclosure Letter (the "Company Insurance Approvals"), (h) the Parent Insurance Approvals (assuming the accuracy of the representations and warranties made in Section 5.03 and the completeness of Section 5.03 of the Parent Disclosure Letter) and (i) such other Consents, filings, declarations or registrations that, if not obtained, made or given, would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or impair the consummation by the Company of the Transactions on a timely basis, no Consent of, or filing, declaration or registration with, any Governmental Authority is necessary for the execution and delivery of this Agreement by the Company, the performance by the Company of its obligations hereunder and the consummation by the Company of the Transactions.

SECTION 4.05. Company SEC Documents; Undisclosed Liabilities.

(a) The Company has filed with or furnished to (as applicable) the SEC all reports, schedules, forms, statements, registration statements, prospectuses, proxy statements and other documents required to be filed or furnished by the Company with the SEC on a timely basis pursuant to the Securities Act or the Exchange Act since January 1, 2021 (collectively with any other reports, schedules, forms, certifications, statements, registration statements, prospectuses, proxy statements and other documents, including the exhibits and other information incorporated therein, filed or furnished by the Company with the SEC after the date hereof, the "Company SEC Documents") in all material respects. As of their respective effective dates (in the case of Company SEC Documents that are registration statements filed pursuant to the requirements of the Securities Act) or their respective SEC filing dates (in the case of all other Company SEC Documents), or, if supplemented, modified or amended since the time of filing, as of the date of the most recent supplement, modification or amendment, the Company SEC Documents complied in all material respects with the requirements of the Securities Act, the Exchange Act, the Sarbanes-Oxley Act and the applicable rules and regulations of the SEC promulgated thereunder, applicable to such Company SEC Documents, and none of the Company SEC Documents contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date of this

Agreement, there are no outstanding or unresolved comments from the SEC staff with respect to any Company SEC Document.

(b) Each of the consolidated financial statements of the Company (including all related notes or schedules) included or incorporated by reference in the Company SEC Documents complied as to form, as of the dates and for the periods referred to therein and as of their respective dates of filing with the SEC, in all material respects with the applicable accounting requirements and published rules and regulations of the SEC, the Securities Act and the Exchange Act with respect thereto, have been prepared in all material respects in accordance with GAAP as in effect on the date of such statement (except, in the case of unaudited quarterly statements, for normal and recurring year-end adjustments) applied on a consistent basis during the periods involved (except (i) as may be indicated in the notes thereto or (ii) as permitted by Regulation S-X) and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations, changes in shareholders' equity and cash flows for the periods shown (subject, in the case of unaudited quarterly financial statements, to normal year-end adjustments). Since January 1, 2021, the Company has not made any material change in the accounting practices or policies applied in the preparation of its financial statements prepared in accordance with GAAP, except as required by GAAP, SEC rule or policy or applicable Law. None of the Company or its Subsidiaries is a party to, or has any obligation or other commitment to become a party to, any "off balance sheet arrangement" (as defined in Item 303(a) of Regulation S-K promulgated by the SEC).

(c) Neither the Company nor any of its Subsidiaries has any liabilities of any nature (whether accrued, absolute, contingent or otherwise) that would be required under GAAP, as in effect on the date of this Agreement, to be reflected on a consolidated balance sheet of the Company (including the notes thereto) except liabilities (i) reflected or reserved against in the balance sheet (or the notes thereto) of the Company and its Subsidiaries as of December 31, 2022, included in the Filed SEC Documents, (ii) incurred after December 31, 2022, in the ordinary course of business, (iii) as contemplated by this Agreement or otherwise incurred in connection with the Transactions, (iv) as relate to Taxes or (v) as would not reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole.

(d) The Company is, and since January 1, 2021, has been, in compliance in all material respects with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC promulgated thereunder (the "Sarbanes-Oxley Act") that are applicable to the Company.

(e) None of the information supplied or to be supplied by or on behalf of the Company or its Subsidiaries for inclusion or incorporation by reference in the Proxy Statement/Prospectus shall, on the date it is first mailed to shareholders of the Company, at the time of any amendment thereof or supplement thereto and at the time of any meeting of the Company's shareholders to be held in connection with the Merger, including the Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement/Prospectus will comply as to form with the requirements of the Exchange Act, the Securities Act and any other applicable Law governing the preparation, distribution or dissemination of such documents. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to statements made or incorporated by reference therein based on information supplied by or on behalf of Parent, Merger Sub or any Affiliates thereof for inclusion or incorporation by reference in the Proxy Statement/Prospectus.

(f) No material weaknesses exist with respect to the internal control over financial reporting of the Company that would be required to be disclosed by the Company pursuant to Item 308(a)(3) of Regulation S-K promulgated by the SEC that have not been disclosed in the Company SEC Documents as filed with or furnished to the SEC prior to the date of this Agreement. The Company maintains a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that is designed to provide reasonable assurances (x) regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, (y) that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company and (z) regarding prevention or timely detection of the unauthorized acquisition, use or disposition of the Company's and its Subsidiaries' assets that could have a material effect on the Company's financial statements. The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e), as applicable, under the Exchange Act) as required by Rule 13a-15 under the Exchange Act, designed to ensure that information required to be disclosed by the Company in the reports that it files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including that information required to be disclosed by the Company in the reports that it files and submits under the Exchange Act is accumulated and communicated to management of the Company, as appropriate, to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act. Since January 1, 2021, neither the Company nor any of its Subsidiaries has received any written complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or any of its Subsidiaries or their respective internal accounting controls or any allegation of fraud that involves management of the Company or any other employee of the Company or any of its Subsidiaries who has a significant role in the Company's internal controls over financial reporting or disclosure controls and procedures. The Company has disclosed, based on its most recent evaluation, to the Company's outside auditors and the audit committee of the Company Board, (i) all significant deficiencies and material weaknesses in the design and operation of internal control over financial reporting which are reasonably likely to adversely affect in any material respect the Company's ability to record, process, summarize and report financial data and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

(g) The Company is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the NYSE.

(h) As of the date hereof, except as disclosed in the Company SEC Documents, within the last twelve (12) months, no event has occurred and no relationship exists that would be required to be reported by the Company pursuant to Item 404 of Regulation S-K.

SECTION 4.06. Absence of Certain Changes. From December 31, 2022 through the date of this Agreement, except for the execution, delivery and performance of this Agreement and the discussions, negotiations and transactions related thereto (including the Transactions) and to alternative transactions to the Transactions and any COVID Measures, (a) the business of the Company and its Subsidiaries has been conducted in all material respects in the ordinary course of business and (b) there has not been any event or condition that has had, or would reasonably be expected to have, a Company Material Adverse Effect.

SECTION 4.07. Legal Proceedings. Except as would not reasonably be expected to, individually or in the aggregate, have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions, there is no (a) Action pending or, to the Knowledge of the Company, threatened in writing against the Company or any of its Subsidiaries or any of their respective officers, directors or employees (other than ordinary course claims made under or in connection with Contracts of insurance or reinsurance issued or assumed by the Company or any of its Subsidiaries) or (b) outstanding injunction, order, judgment, ruling, decree or writ imposed upon the Company or any of its Subsidiaries or, to the Knowledge of the Company, any director or officer of the Company or any of its Subsidiaries in connection with the officer's or director's relationship with the Company, in each case, by or before any Governmental Authority.

SECTION 4.08. Compliance with Laws; Permits.

(a) The Company and each of its Subsidiaries and their respective officers, directors, and personnel are, and since January 1, 2021, have been, in compliance with all federal, national, provincial, state, local or multinational laws, statutes, common laws, ordinances, codes, rules and regulations (collectively, "Laws"), judgments, decrees and orders of Governmental Authorities and Permits, in each case, applicable to the Company or any of its Subsidiaries, except as would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions. The Company and each of its Subsidiaries hold, and since January 1, 2021, have held, all licenses, memberships, franchises, permits, certificates, approvals, authorizations and registrations from Governmental Authorities (collectively, "Permits") necessary for the lawful conduct of their respective businesses and all such Permits are in full force and effect, except where the failure to hold the same or the failure of the same to be in full force and effect would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the

Transactions. There are no Actions pending or, to the Knowledge of the Company, threatened, that seek the revocation, cancellation or adverse modification of any Permit.

(b) Except as would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions, neither the Company nor any of its Subsidiaries is a party to any agreement or settlement with any Governmental Authority, under which it has any ongoing obligations or restrictions, with respect to any actual or alleged violation of any applicable Law.

(c) The Company, each of its Subsidiaries, and to the Knowledge of the Company, each of their respective directors, officers, employees, agents, representatives or sales intermediaries (each in their capacities as such) and any other third party acting on behalf of the Company or any of its Subsidiaries, has, since January 1, 2021, complied with all applicable Specified Business Conduct Laws, except as would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions.

(d) Except as would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions, since January 1, 2021, neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any of their respective directors, officers or employees (each in their capacities as such) has been, subject to any actual, pending or threatened civil, criminal or administrative actions, suits, demands, claims, hearings, notices of violation, investigations, proceedings, demand letters, settlements or enforcement actions, or made any disclosures to any Governmental Authority, involving the Company or any of its Subsidiaries, in any way relating to any applicable Specified Business Conduct Laws.

(e) Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any of their respective directors, officers, employees, agents, representatives or sales intermediaries (each in their capacities as such) or any other third party acting on behalf of the Company or any of its Subsidiaries, is a Sanctioned Person.

(f) Except as would not reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions, since January 1, 2021, neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any of their respective directors, officers, employees, agents, representatives, sales intermediaries or any other third party acting on their behalf, has engaged in any dealings, transactions, activity or conduct with, involving or for the benefit of, any Sanctioned Person in violation of any Specified Business Conduct Laws.

(g) Neither the Broker-Dealer Subsidiary, nor any person associated with it, is subject to a "statutory disqualification" as that term is used for purposes of the

Securities Exchange Act. The Broker-Dealer Subsidiary has in effect, and at all times required by legal or regulatory requirements has had in effect, such written supervisory policies and procedures as may be required by the SEC, FINRA and the Exchange Act, except where neither the failure to maintain any relevant components of such policies and procedures would not, either individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the Transactions.

SECTION 4.09. Tax Matters.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect

(i) The Company and each of its Subsidiaries has prepared (or caused to be prepared) and timely filed (or caused to be timely filed) (taking into account valid extensions of time within which to file) all income or other Tax Returns required to be filed by any of them with the appropriate Governmental Authority in all jurisdictions in which Tax Returns are required to be filed. All such filed Tax Returns (taking into account all amendments thereto) are true, complete and accurate in all material respects, and all income or other material Taxes owed by the Company and each of its Subsidiaries that are due (whether or not shown as due on any Tax Return) have been timely paid or have been adequately reserved against in accordance with GAAP and Applicable SAP.

(ii) No Taxes with respect to any of the Company and its Subsidiaries are under audit or examination by any Governmental Authority, and there are no audits, claims, assessments, levies, administrative or judicial proceedings pending or threatened in respect of any Taxes of any of the Company and its Subsidiaries.

(iii) There are no Liens for Taxes on any of the assets of the Company or any of its Subsidiaries other than Permitted Liens.

(iv) Neither the Company nor any of its Subsidiaries has (A) waived any statute of limitations in respect of any Taxes or agreed to any extension of time with respect to an assessment or deficiency for any Taxes, which waiver or agreement, as applicable, remains in effect (other than pursuant to extensions of time to file Tax Returns obtained in the ordinary course), (B) applied for a private letter ruling or similar ruling from any Governmental Authority relating to Taxes that has not been granted or has proposed to enter into an agreement with a Governmental Authority relating to Taxes that is pending or (C) entered into any "closing agreement" as described in Section 7121 of the Code (or any similar provision of state, local or foreign Tax Law), offer in compromise or similar agreement with a Governmental Authority relating to Taxes or has been issued any private letter rulings, technical advice memoranda or similar agreement or rulings by any Governmental Authority.

(v) Neither the Company nor any of its Subsidiaries is a party to a Tax allocation, sharing, indemnity or similar agreement or arrangement, other than (A) Contracts solely between the Company and its Subsidiaries and (B) agreements or arrangements entered into in the ordinary course of business that does not relate principally to Taxes, or has any liability for Taxes of another Person (other than the Company or any of its Subsidiaries) under U.S. Treasury Regulation Section 1.1502-6 (or any similar provision of applicable Law), as a transferee or successor or by Contract (other than any Contract that does not relate principally to Taxes).

(vi) Neither the Company nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date, as a result of any (A) change in method of accounting for a taxable period ending on or prior to the Closing Date under Section 481 of the Code (or any corresponding provision of state, local or foreign income Tax law), (B) disposition accounted for under the installment sale method made on or prior to the Closing Date or (C) prepaid amount received on or prior to the Closing Date. Section 4.09(a)(vi) of the Company Disclosure Letter sets forth a schedule of amounts that the Company or any of its Subsidiaries will be required to include in income after the Closing Date under Section 13517(c)(3) of the Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97.

(vii) All excise Tax Returns and excise Taxes under Section 4371 of the Code with respect to any reinsurance or retrocession agreement to which the Company or any of its Subsidiaries is a party have been duly and timely filed and paid.

(viii) The Company and each of its Subsidiaries have, within the time and manner prescribed by Law, withheld and paid over to the proper Governmental Authority all amounts required to have been so withheld and paid over, and have complied with all related Tax information reporting requirements under applicable Law.

(b) Neither the Company nor any of its Subsidiaries has been a "controlled corporation" or a "distributing corporation" in any distribution occurring during the two-year period ending on the date of this Agreement that was intended to be governed by Section 355 of the Code.

(c) Neither the Company nor any of its Subsidiaries has participated in any "listed transaction" within the meaning of U.S. Treasury Regulation Section 1.6011-4(b)(2).

(d) Neither the Company nor any of its Subsidiaries has or has ever had a permanent establishment in a jurisdiction outside of the jurisdiction in which the Company or its Subsidiaries, respectively, are organized. For the avoidance of doubt, the entire United States (as defined in Section 7701(a)(9) of the Code) shall be treated as a single jurisdiction for purposes of this representation.

(e) AEL Re Bermuda Ltd. has made a valid election under Section 953(d) of the Code to be treated as a domestic corporation. No other Subsidiary of the Company organized outside of the United States has made an election under Section 953(d) of the Code to be treated as a domestic corporation.

(f) Section 4.09(f) of the Company Disclosure Letter sets forth a true and correct list of any of the Company or its Subsidiaries that is a life insurance company under Section 816(a) of the Code as of the date of this Agreement.

(g) Each of the Company and its Subsidiaries (other than AEL Re Bermuda Ltd.) is a domestic corporation for U.S. federal income Tax purposes.

(h) Notwithstanding anything to the contrary in this Agreement, (i) except for the representations and warranties set forth in Sections 4.05, 4.10, and 4.22 and this Section 4.09, neither the Company nor any of its Subsidiaries makes, and each such party hereby expressly disclaims, any express or implied representations or warranties, statutory, common law or otherwise, of any nature, with respect to Taxes, (ii) the representations and warranties of the Company and its Subsidiaries in this Section 4.09 refer only to activities prior to the Closing and shall not serve as representations or warranties regarding, or a guarantee of, nor can they be relied upon with respect to, Taxes attributable to any taxable period (or portion thereof) beginning, or Tax positions taken, after the Closing Date, and (iii) nothing in this Agreement (including the representations and warranties in this Section 4.09), other than Section 4.05 shall be construed as providing a representation and warranty with respect to the existence, amount, expiration date or limitations on (or availability of) any Tax attribute of the Company or its Subsidiaries. None of the representations and warranties in this Section 4.09 are made with respect to the tax treatment of any Insurance Contract, or as to any obligation in respect of withholding, information reporting or record-keeping in respect thereof, which will be governed by Section 4.22.

SECTION 4.10. Employee Benefits.

(a) Section 4.10(a) of the Company Disclosure Letter contains a true and complete list, as of the date of this Agreement, of each material Company Plan. With respect to each material Company Plan, the Company has made available to Parent true and complete copies (to the extent applicable) of (i) the plan document, including any amendments thereto, or if such Company Plan is not in writing, a written description of such plan, (ii) the most recent summary plan description for each material Company Plan for which such summary plan description is required by applicable Law and each summary of material modifications (if any), (iii) if such Company Plan is funded through a trust or any other funding arrangement, a copy of such trust or other funding arrangement, (iv) the most recently received IRS determination letter (or opinion or advisory letter, if applicable) and (v) the most recent annual report on Form 5500 required to be filed with the IRS with respect thereto (if any).

(b) Except as would not be expected to have a Company Material Adverse Effect, each of the Company Plans (including any related trusts) (i) has been established, operated and administered in compliance with its terms and in accordance with applicable Laws, (ii) all contributions required to be made with respect to any Company Plan have been timely made and deposited and (iii) to the Knowledge of the Company, no circumstance, fact or event exists that could result in any material default under or material violation of any Company Plan.

(c) Each Company Plan that is intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter from the IRS regarding the Tax-qualified status of such Company Plan or is entitled to rely upon a favorable opinion letter issued by the IRS regarding the plan's Tax-qualified status and each such related trust has not been revoked, and, to the Knowledge of the Company, no events have occurred or circumstances exist that could reasonably be expected to cause the loss of reliance on such determination or opinion letter or adversely affect the Tax-qualified status of any such Company Plan or related trust.

(d) The Company does not maintain, sponsor or contribute to, nor within the past six years has it maintained, sponsored or contributed to, or required to maintain, sponsor or contribute to, a plan subject to Title IV of ERISA or Section 412 of the Code, including any "single employer" defined benefit plan (within the meaning of Section 3(35) of ERISA) or any "multiemployer plan" (as defined in Section 4063 of ERISA). No Company Plan is, and none of the Company or any of its Subsidiaries has any actual or contingent liability under, any "multiple employer plan" (within the meaning of Section 413(c) of the Code) or any "multiple employer welfare arrangement" as defined in Section 3(40) of ERISA. Neither the Company nor any of its Subsidiaries has any current or contingent liability or obligation with respect to any Company Plan as a consequence of at any time being considered a single employer under Section 414 of the Code with any other Person, trade or business, whether or not incorporated (an "ERISA Affiliate"). In addition, during the past six years, no liability under (i) Title IV or Section 302 of ERISA or Sections 412 and 4971 of the Code or (ii) Section 4980B of the Code as a result of a failure to comply with the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code, has, in either case, been incurred by the Company or any ERISA Affiliate that has not been satisfied in full and, to the Knowledge of the Company, no condition exists that presents a risk to the Company or any ERISA Affiliate of incurring such liability that would reasonably be expected to result in material liability to the Company or any of its Subsidiaries. There has been no non-exempt prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Company Plan, except for transactions that would not reasonably be expected to result in any material liability to the Company and its Subsidiaries taken together as a whole.

(e) Except as required under applicable Law, no Company Plan provides health, medical, dental or life insurance benefits following retirement or other termination of employment.

(f) There are no pending, or to the Knowledge of the Company, anticipated or threatened Actions against the Company or any of its Subsidiaries with respect to any Company Plan, by or on behalf of any employee, former employee or beneficiary covered under any such Company Plan (other than routine claims for benefits) that would reasonably result in material liability to the Company and its Subsidiaries. No Company Plan is, or since January 1, 2021 has been, the subject of an examination, investigation or audit by a Governmental Authority.

(g) Neither the execution and delivery of this Agreement nor the consummation of the Transactions (either alone or in conjunction with any other event) will (i) result in any severance payment or benefit becoming due to any current or former employee, officer, director or other natural individual service provider of the Company or its Subsidiaries, (ii) increase, or enhance the terms of, any severance or other compensation or benefits otherwise payable to any current or former employee, officer, director or other natural individual service provider of the Company or its Subsidiaries, (iii) result in any acceleration of the time of payment, funding (through a grantor trust or otherwise) or vesting of any such compensation or benefits to any current or former employee, officer, director or other natural individual service provider of the Company or its Subsidiaries, (iv) trigger any increased or accelerated contributions to any Company Plan or trigger any change in the funding or covenant support arrangements for any Company Plan or (v) limit or restrict the right to amend, terminate or transfer the assets of any Company Plan on or following the Effective Time.

(h) The consummation of the Transactions (either alone or in combination with another event) will not result in the payment (or acceleration of vesting) of any amount or benefit that would, individually or in combination with any other payment, constitute an "excess parachute payment" within the meaning of Section 280G of the Code.

(i) No Person is entitled to receive any additional payment (including any Tax gross-up or other payment) from the Company or any of its Subsidiaries as a result of the imposition of the excise Taxes required by Section 4999 of the Code or any Tax, interest or penalties imposed by Section 409A of the Code (or any corresponding or similar provision of state, local or non-U.S. Law).

(j) Except as would not be expected to have a Company Material Adverse Effect, each Company Plan that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code is and has been maintained and operated in documentary and operational compliance with Section 409A of the Code or an available exemption therefrom.

(k) Neither the Company nor any of its Subsidiaries maintains any Company Plan or other similar compensation or benefit arrangement that is subject to the Laws of any jurisdiction outside of the United States or that is registered or required to be registered or approved by a non-U.S. Governmental Authority.

(l) Except as would not be expected to have a Company Material Adverse Effect, (i) the Company ESOP was validly authorized, established and maintained in accordance with applicable Law, (ii) the trust under the Company ESOP (the "<u>Trust</u>") is a tax-exempt trust established in accordance with Section 501(a) of the

Code and is administered and interpreted in accordance with applicable Law, (iii) the Company ESOP has received a determination from the Internal Revenue Service that the Company ESOP meets the applicable qualification requirements of Section 401(a) of the Code and, to the Knowledge of the Company, since the date of such determination (A) such qualified status has not been revoked and (B) nothing has occurred that would reasonably be expected to cause revocation of such qualified status or inability to rely on such determination and (iv) the Common Stock held by the Trust constitute "employer securities" as defined in Section 409(l) of the Code and "qualifying employer securities" as defined in Section 407(d)(5) of ERISA. As of the date hereof, no loans have been granted to or are outstanding for any participant under the Company ESOP.

SECTION 4.11. Labor Matters.

(a) Except as would not be expected to have a Company Material Adverse Effect, (i) neither the Company nor any of its Subsidiaries is a party to, or bound by, any collective bargaining agreement, labor agreement or other labor-related agreement with a labor union, labor organization, trades council, works council or similar organization and (ii) (A) there are no, and since January 1, 2021, have been no, labor organizing activities or representation or certification demands, petitions or proceedings by any labor organization, labor union, trades council, works council or similar organization or group of employees of the Company or any of its Subsidiaries to organize or represent any employees of the Company or any of its Subsidiaries, and no pending demand for recognition or certification as the exclusive bargaining representative of any employees has been made by or on behalf of any labor union, labor organization, trades council, works council or similar organization, (B) the consent of, consultation of or the rendering of formal advice by any labor union, labor organization, trades council, works council, employee representative body or similar organization is not required for the execution and delivery of this Agreement by the Company or the consummation by the Company of the Transactions, (C) since January 1, 2021, there has been no actual, or, to the Knowledge of the Company, threatened strike, lockout, slowdown, work stoppage, unfair labor practice charge, grievance or arbitration against or affecting the Company or any of its Subsidiaries, (D) neither the Company nor any of its Subsidiaries is engaged in any unfair labor practice and there are not any unfair labor practice charges or complaints against the Company or any of its Subsidiaries pending or, to the Knowledge of the Company, threatened before the National Labor Relations Board and (E) there is no material charge of discrimination in employment or employment practices by the Company, including with respect to age, gender, race, religion or other legally protected category pending or, to the Knowledge of the Company, threatened before the United States Equal Employment Opportunity Commission or any other Governmental Authority responsible for the prevention of unlawful employment practices in any jurisdiction in which the Company or any Subsidiary has employed or currently employs any person.

(b) Since January 1, 2021, (i) there have been no allegations of sexual harassment, sexual abuse or other sexual misconduct made against any member of the Company Board or officer of the Company subject to the reporting requirements of Section 16(a) of Exchange Act and (ii) there are no Actions pending or, to the Knowledge of the Company, threatened related to any allegations of sexual harassment, sexual abuse or other sexual misconduct by any member of the Company Board or officer of the Company subject to the reporting requirements of Section 16(a) of the Exchange Act. Since January 1, 2021, neither the Company nor any of its Subsidiaries has entered into any settlement agreements related to allegations of sexual harassment, sexual abuse or other sexual misconduct by any member of the Company Board or officer of the Company subject to the reporting requirements of Section 16(a) of the Exchange Act.

(c) Except as would not reasonably be expected to have a Company Material Adverse Effect, the Company and its Subsidiaries are in compliance with applicable Laws respecting labor and employment matters, including discrimination in employment, employment practices, equal employment opportunity, terms and conditions of employment, disability rights or benefits, reasonable accommodations, hiring, training and/or promotion, payroll, tax withholding, worker classification (including the proper classification of workers as contingent workers, independent contractors and consultants), immigration (including applicable I-9 Laws), wages, hours, workers' compensation, plant closings, labor and collective bargaining, employee leave issues, unemployment insurance, mandatory social security and pension schemes, privacy, employee record keeping and occupational safety and health, other than instances of noncompliance that would not reasonably be expected to result in material liability to the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has taken any action during the past three (3) years that would trigger the notice and other requirements under the Worker Adjustment and Retraining Notification Act of 1988 and any other similar applicable foreign, state or local statutes or regulations of any jurisdiction relating to any plant closing or mass layoff or similar triggering event for which any material liability remains unsatisfied.

SECTION 4.12. Intellectual Property; Data Privacy and Cybersecurity.

(a) Section 4.12(a) of the Company Disclosure Letter sets forth a true and complete list, as of the date of this Agreement, of all material Company Intellectual Property that is issued, registered or subject to an application for issuance or registration, indicating for each item (i) the current owner (including, with respect to domain names, the current registrant), (ii) the jurisdiction where the application, registration or issuance is filed, (iii) the application, registration and issue number (as applicable) and (iv) the application, registration and issue date (as applicable). Except as would not reasonably be expected to have a Company Material Adverse Effect, all Company Intellectual Property that is issued or registered is subsisting and, to the Knowledge of the Company, valid and enforceable.

(b) Except as would not reasonably be expected to have a Company Material Adverse Effect, the Company and its Subsidiaries are the exclusive owners of the Company Intellectual Property, free and clear of all Liens other than Permitted Liens, and have sufficient rights (which rights are, to the Knowledge of the Company, valid and enforceable) to use all other Intellectual Property used in the conduct of the business of the Company and its Subsidiaries as currently conducted.

(c) Except as would not reasonably be expected to have a Company Material Adverse Effect, (i) all Persons (including current and former employees and independent contractors) who are or were involved in or contributed to the development of, or otherwise would have rights in or to, any Company Intellectual Property have irrevocably assigned to the Company or one of its Subsidiaries all of their rights in and to such Company Intellectual Property (and such assignments are, to the Knowledge of the Company, valid), or the Company or one of its Subsidiaries owns such Company Intellectual Property by operation of Laws; and (ii) the Company and each of its Subsidiaries have taken commercially reasonable actions to protect and preserve the secrecy of all Trade Secrets owned by the Company or any of its Subsidiaries.

(d) Except as would not reasonably be expected to have a Company Material Adverse Effect, (i) the Company and its Subsidiaries do not use or distribute, nor have used or distributed, any Software licensed, provided or distributed under any open source license, including any license meeting the Open Source Definition or the Free Software Definition (as promulgated by the Open Source Initiative or the Free Software Foundation, respectively) or any Software that contains or is derived from any such Software ("Open Source Software") in any manner that would require any source code of any proprietary Software owned or purported to be owned by the Company or its Subsidiaries to be disclosed, licensed for free, publicly distributed or dedicated to the public; and (ii) the Company and its Subsidiaries are in compliance with the terms and conditions of all relevant licenses (including all requirements relating to notices and making source code available to third parties) for all Open Source Software used in the business of the Company and its Subsidiaries.

(e) Except as would not reasonably be expected to have a Company Material Adverse Effect, no claims, disputes or other Actions are pending or, to the Knowledge of the Company, threatened in writing (in each case, that has not since been resolved) challenging the ownership, enforceability, scope, validity or use by the Company or any of its Subsidiaries of any Company Intellectual Property or alleging that the Company or any of its Subsidiaries is infringing, misappropriating or otherwise violating the Intellectual Property of any Person.

(f) Except as would not reasonably be expected to have a Company Material Adverse Effect, (i) to the Knowledge of the Company, no Person is infringing, misappropriating or otherwise violating any Company Intellectual Property and (ii) the operation of the business of the Company and its Subsidiaries as currently conducted does not infringe, misappropriate or otherwise violate the Intellectual Property of any other Person.

(g) Except as would not reasonably be expected to have a Company Material Adverse Effect, since January 1, 2021, the Company and its Subsidiaries have at all times posted privacy policies addressing the collection, retention, use and distribution of Personal Information. The Company and its Subsidiaries are not in violation of, and the Company's and its Subsidiaries' use and dissemination of Personal Information are in compliance with (i) any requirements of self-regulatory frameworks or organizations with which the Company and its Subsidiaries are contractually obligated to comply, including the Company's and its Subsidiaries' binding and customer-facing privacy policies and (ii) all applicable Laws or directives of any Governmental Authority, together with all binding regulatory guidance, rules and requirements promulgated thereunder, each as amended from time to time that relate to data privacy, data security, data protection, cybersecurity and marketing with respect to the collection, storage, use, disclosure, destruction or other processing, and transfer of Personal Information (collectively, "Privacy Obligations"), in each case, except as would not reasonably be expected to have a Company Material Adverse Effect.

(h) Except as would not reasonably be expected to have a Company Material Adverse Effect, since January 1, 2021: (i) there has not been any violation of any Privacy Obligations; (ii) no Actions alleging noncompliance with Privacy Obligations in connection with the conduct of the business of the Company and its Subsidiaries are pending or threatened in writing against the Company and its Subsidiaries with respect to any of the foregoing; and (iii) the Company and its Subsidiaries have not been impacted by any Cybersecurity Incident or otherwise required under any Privacy Obligations to give notice to any Person of any actual or alleged Cybersecurity Incident.

(i) Except as would not reasonably be expected to have a Company Material Adverse Effect, the IT Systems are sufficient for the current needs of the business of the Company and its Subsidiaries and, to the Knowledge of the Company, do not contain any Malware. Except as would not reasonably be expected to have a Company Material Adverse Effect, there have been no failures, breakdowns, outages or unavailability of any of the foregoing that have caused any material disruption to the business of the Company or its Subsidiaries. Except as would not reasonably be expected to have a Company Material Adverse Effect, (i) the Company and its Subsidiaries own or have valid rights to use and access all IT Systems and (ii) the Company and its Subsidiaries have taken commercially reasonable actions to protect the integrity and security of the IT Systems and maintain reasonable information security, backup and disaster recovery plans and procedures, and such actions, plans and procedures are designed to be consistent with applicable Privacy Obligations with respect to the foregoing and the data stored or processed thereby.

SECTION 4.13. Anti-Takeover Provisions. No "fair price," "moratorium," "control share acquisition" or other similar anti-takeover statute or similar statute or regulation (each, a "Takeover Law") applies to the Company with respect to this Agreement or the Merger.

SECTION 4.14. Real Property.

(a) Except as would not reasonably be expected to have a Company Material Adverse Effect, either the Company or one of its Subsidiaries owns good and valid title in fee simple to the Owned Real Property, free and clear of all Liens, other than Permitted Liens.

(b) Except as would not reasonably be expected to have a Company Material Adverse Effect, the Company or one of its Subsidiaries has a good and valid leasehold or subleasehold interest in each Leased Real Property pursuant to a lease or sublease agreement (each, a "Company Lease"), free and clear of all Liens (other than Permitted Liens). Each Company Lease is in full force and effect, except as enforceability thereof may be limited by the Bankruptcy and Equity Exception.

(c) Except as would not reasonably be expected to have a Company Material Adverse Effect, neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any other party under any Company Lease, is in material default under any Company Lease, and no event has occurred that, with notice or lapse of time or both, would constitute a material default of any Company Lease.

(d) The Company or one of its Subsidiaries, as applicable, have obtained all certificates of occupancy and other permits or approvals required with respect to the use and occupancy of the Leased Real Property, except where a failure to obtain any such material permits or approvals would not reasonably be expected to have a Company Material Adverse Effect.

SECTION 4.15. Contracts.

(a) Except for (A) this Agreement, (B) each Company Plan, (C) each Contract filed as an exhibit to the Filed SEC Documents, Section 4.15(a) of the Company Disclosure Letter sets forth a list of all Material Contracts as of the date of this Agreement and (D) each arrangement disclosed under Item 404(a) of Regulation S-K under the Exchange Act in the Filed SEC Documents. For purposes of this Agreement, "Material Contract" means all Contracts to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of their respective properties or assets is bound (other than any Contracts to which Parent, BAM or any of their respective Affiliates is a counterparty, Company Plans, IMAs, any Contracts in respect of Investment Assets and insurance, reinsurance or retrocession treaties, agreements, slips, binders, cover notes, including the Reinsurance Agreements, or other similar arrangements) that:

(i) are or would be required to be filed by the Company as a "material contract" pursuant to Item 601(b)(10) of Regulation S-K under the Securities Act;

(ii) are with an affiliate that would be required to be disclosed under Item 404(a) of Regulation S-K under the Exchange Act;

(iii) relate to the formation or management of any joint venture, partnership or other similar agreement that is material to the business of the Company and its Subsidiaries, taken as a whole (excluding Investment Assets acquired in the ordinary course of business);

(iv) provide for Indebtedness for borrowed money or guarantees thereof of the Company or any of its Subsidiaries having an outstanding principal amount in excess of $25,000,000 individually, other than any Indebtedness between or among any of the Company and any of its Subsidiaries;

(v) have been entered into since January 1, 2021, and involve the acquisition from another Person or disposition to another Person of capital stock or other equity interests of another Person or of a business, in each case, that are material to the Company and its Subsidiaries, taken as a whole (excluding, for the avoidance of doubt, acquisitions or dispositions of investments made pursuant to the Investment Guidelines, or of supplies, products, properties or other assets in the ordinary course of business);

(vi) prohibit the payment of dividends or distributions in respect of the capital of the Company or any of its wholly owned Subsidiaries, prohibit the pledging of the capital of the Company or any wholly owned Subsidiary of the Company or prohibit the issuance of any guarantee by the Company or any Subsidiary of the Company (other than pursuant to applicable Laws);

(vii) contain provisions that prohibit the Company or any of its Subsidiaries from competing in any material respect in any material line of business or grant a right of exclusivity to any Person which prevents the Company or any Subsidiary of the Company from entering any material territory, market or field or freely engaging in business anywhere in the world in any material respect, other than Contracts that can be terminated (including such restrictive provisions) by the Company or any of its Subsidiaries on 180 or fewer days' notice without payment by the Company or any Subsidiary of the Company of any material penalty;

(viii) involve the settlement of any pending or threatened claim, action or proceeding that requires payment obligations of the Company or any of its Subsidiaries after the date hereof in excess of $25,000,000, other than claims settled under Company Insurance Policies in the ordinary course of business and within applicable policy limits;

(ix) (A) grant any right of first refusal, right of first offer or similar right with respect to any material assets, rights or properties of the Company or any of its Subsidiaries or (B) obligate the Company or any of its Subsidiaries to conduct business on an exclusive or preferential basis or that contains a "most favored nation" or similar covenant with any third party and that are material to the Company and its Subsidiaries, taken as a whole; or

(x) contain a license or grant of rights in, to or under material Intellectual Property (excluding (A) non-exclusive licenses granted in the ordinary course of business, (B) licenses granted to or for the benefit of the Company or any of its Subsidiaries of commercially available, "off-the-shelf" Software available on standard terms, and (C) licenses of Open Source Software).

(b) (i) Each Material Contract is valid and binding on the Company and/or any of its Subsidiaries to the extent such Person is a party thereto, as applicable, and, to the Knowledge of the Company, each other party thereto, and is in full force and effect, except where the failure to be valid, binding or in full force and effect would not reasonably be expected to have a Company Material Adverse Effect, (ii) the Company and each of its Subsidiaries has, as of the date of this Agreement, performed all obligations required to be performed by it under each Material Contract, except where such noncompliance would not reasonably be expected to have a Company Material Adverse Effect, (iii) neither the Company nor any of its Subsidiaries has received written notice, as of the date of this Agreement, of the existence of any event or condition which constitutes, or, after notice or lapse of time or both, will constitute, a default on the part of the Company or any of its Subsidiaries under any Material Contract, except where such default would not reasonably be expected to have a Company Material Adverse Effect, (iv) to the Knowledge of the Company, there are no events or conditions which constitute, or, after notice or lapse of time or both, will constitute a default on the part of any counterparty under such Material Contract, except as would not reasonably be expected to have a Company Material Adverse Effect and (v) neither the Company nor any of its Subsidiaries has received written notice, as of the date of this Agreement, from any other party to a Material Contract that such other party intends to terminate, not renew or renegotiate in any material respect the terms of any such Material Contract, except as would not reasonably be expected to have a Company Material Adverse Effect.

SECTION 4.16. Actuarial Appraisals; Reserves.

(a) As of the date hereof, to the Knowledge of the Company, no actuarial appraisal prepared by third-party or internal actuaries with respect to any in-force business, or blocks or lines of business, of any of the Company Insurance Subsidiaries prepared since January 1, 2021 that the Company has delivered to Parent (each such appraisal, an "Actuarial Appraisal") is inaccurate in any material respect. The factual information and data provided by the Company and its Subsidiaries for use in connection with the preparation of each Actuarial Appraisal was complete and accurate in all material respects as of the date so provided, subject in each case to any limitations and qualifications contained in such Actuarial Appraisal.

(b) The Reserves of each Company Insurance Subsidiary contained in its respective Statutory Statements as of and for the annual periods ended December 31, 2020, 2021 and 2022, in each case: (i) were determined in all material respects in accordance with generally accepted actuarial standards consistently applied throughout the specified period and were fairly stated in accordance with sound actuarial principles and Applicable SAP (in each case, except as otherwise noted in such Statutory Statements) and (ii) satisfied the requirements of all applicable Law in all material respects, except as otherwise noted in such Statutory Statements.

SECTION 4.17. Reinsurance.

(a) Section 4.17 of the Company Disclosure Letter sets forth a complete and correct list of all reinsurance agreements to which any of the Company

Insurance Subsidiaries is a party, whether as ceding company or assuming company, under which such Company Insurance Subsidiary has any material rights or material obligations (each, a "Reinsurance Agreement"). The Company has made available to Parent a true and correct copy or a summary of material terms of each Reinsurance Agreement. Each Reinsurance Agreement is valid and binding on the Company or its applicable Company Insurance Subsidiary party thereto and, to the Knowledge of the Company, each other party thereto, and is in full force and effect, except where the failure to be valid, binding or in full force and effect would not reasonably be expected to have a Company Material Adverse Effect. Neither the Company nor any Company Insurance Subsidiary has received written notice of the existence of any event or condition which constitutes, or, after notice or lapse of time or both, will constitute, a material default on the part of the Company or any Company Insurance Subsidiary under any Reinsurance Agreement and, to the Knowledge of the Company, there does not exist any event, condition or omission that would constitute, after notice or lapse of time or both, such a material default. To the Knowledge of the Company, there are no events or conditions which constitute, or, after notice or lapse of time or both, will constitute, a material default on the part of any counterparty under such Reinsurance Agreement. Neither the Company nor any Company Insurance Subsidiary has received written notice from any other party to a Reinsurance Agreement that such other party intends to cancel, terminate or amend in any material respect the terms of any such Reinsurance Agreement. There are no pending or, to the Knowledge of the Company, threatened in writing Actions with respect to any Reinsurance Agreement, except as would not reasonably be expected to have a Company Material Adverse Effect.

(b) Except as set forth in Section 4.17 of the Company Disclosure Letter, (i) to the Knowledge of the Company, no party to a Reinsurance Agreement is insolvent or the subject of a rehabilitation, liquidation, conservatorship, receivership, bankruptcy or similar proceeding, (ii) to the Knowledge of the Company, the financial condition of each party to a Reinsurance Agreement is not impaired to the extent that a default thereunder is reasonably anticipated, (iii) there are no, and since January 1, 2021 there have been no, material disputes under any Reinsurance Agreement other than disputes (A) in the ordinary course for which adequate loss reserves have been established or (B) that otherwise have been fully resolved, and (iv) each Company Insurance Subsidiary that is party to a Reinsurance Agreement is entitled under any applicable Insurance Laws and Applicable SAP to take full reinsurance credit in its Statutory Statements for all amounts reflected therein that are recoverable by it pursuant to any Reinsurance Agreement, and no Governmental Authority has objected in writing to the Statutory Statements reflecting such reinsurance credit.

SECTION 4.18. Investment Assets.

(a) The Company has provided Parent with a true, correct and complete list of all bonds, stocks, mortgage loans and other investment assets that were subject to the Reinsurance Agreements, carried on the books and records of, or that were otherwise owned by, the Company or any of its Subsidiaries as of May 31, 2023 (such bonds, stocks, mortgage loans and other investment assets, together with all such other bonds, stocks, mortgage loans and other investment assets acquired by the Company and its Subsidiaries between such date and the date of this Agreement, the "Investment Assets"). Except for Investment Assets sold in the ordinary course of business since May 31, 2023, or otherwise contemplated by this Agreement, the Company and its Subsidiaries, or a trustee acting on behalf of the Company or any such Subsidiary, has, and will have as of the Closing Date, good and valid title to all of the Investment Assets it purports to own (including pursuant to the Reinsurance Agreements), free and clear of all Liens except Permitted Liens. The Company has provided Parent with a true, correct and complete copy of the applicable policies of the Company with respect to the investment of the Investment Assets, including investment guidelines that apply to Investment Assets subject to Reinsurance Agreements (the "Investment Guidelines"), and except as approved by the Company's investment committee, (i) the Company's Investment Assets comply in all material respects with such Investment Guidelines and (ii) all transactions involving Investment Assets have complied in all material respects with the Investment Guidelines since January 1, 2021.

(b) Except as set forth in Section 4.18(b) of the Company Disclosure Letter, (i) the Company has no material funding obligations of any kind, or obligation to make any material additional advances or investments (including any obligation relating to any investment funds or vehicles, separate managed accounts, limited partnerships, currency or interest rate swap, hedge or similar arrangement) in respect of, any of the Investment Assets and (ii) there are no material outstanding commitments, options, put agreements or other arrangements relating to the Investment Assets to which the Company or any of its Subsidiaries would be subject upon or after the Closing.

(c) Section 4.18(c) of the Company Disclosure Letter sets forth a complete and correct list of all material investment management agreements relating to the assets of the Company and its Subsidiaries (each, an "IMA"). The Company has made available to Parent a true and correct copy or a summary of material terms of each IMA. Each IMA is valid and binding on the Company or its applicable Subsidiary party thereto and, to the Knowledge of the Company, each other party thereto, and is in full force and effect, except where the failure to be valid, binding or in full force and effect would not reasonably be expected to have a Company Material Adverse Effect. As of the date hereof, the Company and each of its applicable Subsidiaries and, to the Knowledge of the Company, any other party thereto, has performed all obligations required to be performed by it under each IMA. Neither the Company nor any of its Subsidiaries has received written notice of the existence of any event or condition which constitutes, or, after notice or lapse of time or both, will constitute, a material default on the part of the Company or any of its Subsidiaries under any IMA and, to the Knowledge of the Company, there does not exist any event, condition or omission that would constitute, after notice or lapse of time or both, such a material default. To the Knowledge of the Company, there are no events or conditions which constitute, or, after notice or lapse of time or both, will constitute, a material default on the part of any counterparty under such IMA. Neither the Company nor any of its Subsidiaries has received written notice from any other party to an IMA that such other party intends to cancel, terminate, not renew, change the scope of rights and obligations under or renegotiate in any material respect the terms of any such IMA. There are no pending or, to the Knowledge of the Company, threatened in writing Actions with respect to any IMA, except as would not reasonably be expected to have a Company Material Adverse Effect.

SECTION 4.19. Insurance Business.

(a) Section 4.19(a) of the Company Disclosure Letter contains a true, complete and correct list, as of the date of this Agreement, of the Company Insurance Subsidiaries, together with the jurisdiction of domicile thereof. Except as set forth in Section 4.19(a) of the Company Disclosure Letter, since January 1, 2021 (i) no Insurance Regulator has alleged in writing that any Company Insurance Subsidiary has violated in any material respect, nor is there any pending or, to the Knowledge of the Company, threatened in writing, investigation by any applicable Insurance Regulator related to alleged violations by any Company Insurance Subsidiary of, any applicable Insurance Laws, and (ii) each Company Insurance Subsidiary has filed all material reports, forms, rates, notices and materials required to be filed by it with any applicable Insurance Regulator, and none of such reports, forms, rates, notices and other materials has been objected to by such Insurance Regulator within the period provided for objection, except where such objections have been cured or otherwise resolved.

(b) Section 4.19(b) of the Company Disclosure Letter sets forth a true and correct list of all permitted accounting practices utilized by the Company Insurance Subsidiaries in the preparation of their respective Statutory Statements.

(c) Except as set forth in Section 4.19(c) of the Company Disclosure Letter, none of the Company Insurance Subsidiaries is commercially domiciled under the Laws of any jurisdiction or is otherwise treated as domiciled in a jurisdiction other than that of its jurisdiction of incorporation.

(d) Except as set forth in Section 4.19(d) of the Company Disclosure Letter, either the Company nor any of the Company Insurance Subsidiaries is subject to any requirement imposed by a Governmental Authority to maintain specified capital or surplus amounts or levels or is subject to any restriction on the payment of dividends or other distributions on its shares of capital stock, except for any such requirements or restrictions imposed by applicable Laws of general application.

(e) The Company has made available to Parent and its advisors true and complete copies of (i) any material reports on financial examination and (ii) any material reports on market conduct examination, in the case of each of (i) and (ii), delivered by any Insurance Regulator in respect of any Company Insurance Subsidiary since January 1, 2021.

(f) Except as required by Insurance Laws of general applicability and the insurance or reinsurance Permits maintained by the Company Insurance Subsidiaries, there are no material written agreements, memoranda of understanding, commitment letters or similar undertakings binding on the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries is a party, on one hand, and any Governmental Authority is a party or addressee, on the other hand, or any orders or directives by, or supervisory letters or cease-and-desist orders from, any Governmental Authority, nor has the Company nor any of its Subsidiaries adopted any board resolution at the request of any Governmental Authority, in each case specifically with respect to it or any of its Subsidiaries, which materially restrict the conduct of the Company Insurance Subsidiaries' business.

SECTION 4.20. Insurance Policies.

(a) All policy and contract forms on which any Company Insurance Subsidiary has issued an Insurance Contract and all amendments, applications, marketing materials, brochures, illustrations and certificates pertaining thereto have, to the extent required by applicable Law, been approved by all applicable Governmental Authorities or filed with such Governmental Authorities, subject to such exceptions as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company Insurance Subsidiaries have since January 1, 2021, been in compliance with applicable Law regulating the marketing and sale of Insurance Contracts, including (i) all applicable requirements and prohibitions relating to suitability of sales and replacement of policies and annuity products, (ii) all applicable requirements relating to the disclosure of the nature of insurance products as policies of insurance, (iii) all applicable requirements relating to insurance product projections and illustrations and (iv) all applicable requirements relating to the advertising, sales and marketing of insurance and annuity products.

(c) All premium rates and rating plans in use by each Company Insurance Subsidiary with respect to any Insurance Contract have to the extent required by applicable Law been approved by all applicable Governmental Authorities or filed with such Governmental Authorities, subject to such exceptions as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) Except for regular periodic assessments in the ordinary course of business or assessments based on developments that are publicly known within the insurance industry, as of the date hereof, there are no material unpaid claims or assessments made by any state insurance guaranty association in connection with such association's fund relating to insolvent insurance companies.

SECTION 4.21. Insurance Producers. Except as, individually or in the aggregate, is not and would not be reasonably expected to have a Company Material Adverse Effect, since January 1, 2021, (a) each employee who is an Insurance Producer and, to the Knowledge of the Company, each other Insurance Producer, (i) at the time such Insurance Producer solicited, negotiated, marketed, underwrote or sold or produced any Insurance Contract, was duly and appropriately appointed by a Company Insurance Subsidiary, in compliance with applicable Law, to act as an Insurance Producer for such

Insurance Contract, and was duly and appropriately licensed as an Insurance Producer (for the type of business sold or produced by such Insurance Producer on behalf of such Company Insurance Subsidiary), in each jurisdiction in which such Insurance Producer was required to be so licensed and (ii) has not been enjoined, indicted, convicted or made the subject of any consent decree or judgment on account of any violation of applicable Law in connection with such Insurance Producer's actions in his, her or its capacity as an Insurance Producer for any Company Insurance Subsidiary, and (b) the Company and its Subsidiaries have not received any written notice from any Governmental Authority with respect to any failures by such Insurance Producers to be so licensed or appointed. There are no outstanding disputes between the Company or any Company Insurance Subsidiary, on the one hand, and an Insurance Producer, on the other hand, concerning material amounts of commissions or other incentive compensation.

SECTION 4.22. Insurance Product-Related Tax Matters.

Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(a) Each Insurance Contract (i) provides (and since the date of issuance, assumption, exchange, modification or purchase of such Insurance Contract has provided) the purchaser, policyholder, account holder, other holder or intended beneficiary thereof with a Tax treatment under the Code (including, but not limited to, Sections 72, 101, 817, 7702, 7702A and 7702B of the Code) and any similar provision of state, local, and non-U.S. Law that is not less favorable than the Tax treatment (A) that was purported to apply in written materials provided at the time of issuance, assumption, exchange, modification or purchase or (B) for which such Insurance Contract was intended or reasonably expected to qualify under the Code (including, but not limited to, Sections 72, 101, 817, 7702, 7702A and 7702B of the Code) and any similar provision of state, local and non-U.S. Law at the time of issuance, assumption, exchange, modification or purchase and (ii) complies with, and since the date of issuance, assumption, exchange, modification or purchase of such Insurance Contract has complied with, the requirements applicable to, or intended to be applicable to, such Insurance Contract under the provisions of the Code (including, but not limited to, Sections 72, 101, 817, 7702, 7702A and 7702B of the Code) and any similar provision of state, local and non-U.S. Law relating to such Insurance Contract and any Treasury Regulations and administrative guidance issued thereunder.

(b) No Insurance Contract is a "modified endowment contract" within the meaning of Section 7702A of the Code, except any Insurance Contract that is being administered as a "modified endowment contract" and with respect to which the policyholder has consented in writing to the treatment of such Insurance Contract as a "modified endowment contract" and has not acted to revoke such consent.

(c) None of the Company and its Subsidiaries has entered into any agreement or has been within the last five years involved in any discussions or negotiations with the IRS or any other Governmental Authority, or otherwise has requested within the last five years relief from the IRS or any other Governmental

Authority, regarding the failure of any Insurance Contract currently in force to meet its intended Tax treatment.

(d) None of the Company and its Subsidiaries is a party to or has received written notice of any federal, state, local or foreign audits or other administrative or judicial Action with regard to the Tax treatment of any Insurance Contract currently in force, or of any claims by the purchasers, holders or intended beneficiaries thereof regarding the Tax treatment thereof.

(e) None of the Company and its Subsidiaries is a party to any "hold harmless" or indemnification agreement or tax sharing agreement or similar arrangement under which it is liable for the Tax treatment of any Insurance Contract currently in force.

(f) The Company and its Subsidiaries have complied with all reporting, withholding and disclosure requirements of the Code, Treasury Regulations and forms issued by the IRS and other applicable Laws that are applicable to the Insurance Contracts and distributions thereunder.

(g) Notwithstanding anything to the contrary in this Agreement, except for the representations and warranties set forth in this Section 4.22, neither of the Company nor any of its Subsidiaries makes, and each such party hereby expressly disclaims, any express or implied representations or warranties, statutory, common law or otherwise, of any nature, with respect to the Tax treatment of any Insurance Contract, and as to any obligations in respect of withholding, information reporting or record-keeping in respect thereof.

SECTION 4.23. Statutory Statements. The Company has made available to Parent copies of the following statutory statements, in each case together with the exhibits, schedules and notes thereto (collectively, the "Statutory Statements"): (i) the statutory annual statement of each Company Insurance Subsidiary as of and for the annual periods ended December 31, 2020, 2021 and 2022, in each case as filed with the applicable Insurance Regulator for such Company Insurance Subsidiary, and (ii) the statutory quarterly statements of each Company Insurance Subsidiary as of and for the quarterly period ended March 31, 2023, in each case as filed with the Insurance Regulator of such Company Insurance Subsidiary, subject, in the case of Statutory Statements with respect to quarterly periods, to the absence of full footnote disclosure and normal year-end audit adjustments. The Statutory Statements were prepared in conformity with Applicable SAP applied consistently throughout the periods presented, and present fairly, in all material respects the statutory financial position and results of operations of the Company Insurance Subsidiaries as of their respective dates and for the respective periods covered thereby. Except as set forth on Section 4.23 of the Company Disclosure Letter, as of its filing date, and, if amended, as of the date of the last amendment prior to the date hereof, each such filing complied with applicable Law in all material respects. No Governmental Authority has asserted any material deficiency related to any such filing that has not been resolved, to the Knowledge of the Company, to the material satisfaction of such Governmental Authority prior to the date hereof.

SECTION 4.24. Opinion of Financial Advisor. The Company Board has received an oral opinion (to be confirmed by delivery of a written opinion promptly after the date hereof) of each of J.P. Morgan Securities LLC ("JPM") and Ardea Partners LP ("Ardea Partners"), to the effect that, as of the date of such opinion, and based upon and subject to the various assumptions, qualifications and limitations set forth therein, the Merger Consideration to be paid to the holders (other than Parent and its Affiliates) of Common Stock is fair from a financial point of view to such holders of Common Stock. It is agreed and understood that such opinion is for the benefit of the Company Board and may not be relied on by Parent or Merger Sub for any purpose.

SECTION 4.25. Brokers and Other Advisors. Except for JPM and Ardea Partners, the fees and expenses of which will be paid by the Company pursuant to the applicable engagement letter, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Company, any of its Subsidiaries or any of their respective directors, officers or employees. The Company has provided an estimated calculation as of the date of this Agreement of such fees and expenses payable to JPM and Ardea Partners pursuant to their respective engagement letters.

SECTION 4.26. Critical Technology. Neither the Company nor any of its Subsidiaries produces, designs, tests, manufactures, fabricates, or develops one or more "critical technologies" as that term is defined in 31 C.F.R. § 800.215, and none of them has any current intention of engaging in such activities in the future.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub jointly and severally represent and warrant to the Company that except as (A) set forth in the corresponding section of the disclosure letter delivered by Parent and Merger Sub to the Company on the date of this Agreement (the "Parent Disclosure Letter") (it being agreed that disclosure set forth in one section or sub-section of the Parent Disclosure Letter shall be deemed disclosure with respect to, and shall be deemed to apply to and qualify, the section or sub-section of this Article V to which it corresponds in number and each other section or sub-section of this Article V to the extent the qualifying nature of such disclosure with respect to such other section or sub-section is reasonably apparent on the face of such disclosure) or (B) disclosed in any report, schedule, form, statement or other document (including exhibits) filed with, or furnished to, the SEC by Parent and publicly available at least three business days prior to the date of this Agreement (the "Parent SEC Documents"), other than any disclosure contained in such Parent SEC Documents under the heading "Risk Factor" or "Forward-Looking Statements" or sections of such reports, or that otherwise constitute risk factors or forward-looking statements:

SECTION 5.01. Organization; Standing. Parent is a Bermuda exempted company limited by shares duly incorporated and organized, validly existing and in good standing under the Laws of Bermuda, and Merger Sub is an Iowa corporation duly organized and validly existing under the IBCA. Each of Parent and Merger Sub has all requisite power and authority necessary to carry on its business as it is now being conducted, except as would not reasonably be expected to have a Parent Material Adverse Effect. Each of Parent and Merger Sub is duly licensed or qualified to do business and is in good standing (where such concept is recognized under applicable Law) in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions. Parent has made available to the Company true, complete and correct copies of Parent's certificate of incorporation and memorandum of association and bylaws, and Merger Sub's articles of incorporation and bylaws, each as amended to the date of this Agreement.

SECTION 5.02. Authority; Noncontravention.

(a) Each of Parent and Merger Sub has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and, subject to obtaining the Merger Sub Shareholder Approval, to consummate the Transactions. The execution, delivery and performance by Parent and Merger Sub of this Agreement, and the consummation by Parent and Merger Sub of the Transactions, have been duly and unanimously authorized and approved by each of the Parent Board and the Merger Sub Board, as applicable, and, except for obtaining the Merger Sub Shareholder Approval (which approval shall be provided by the written consent of Arches Acquisition Holdco II Inc. immediately following the execution of this Agreement), no other action (including any shareholder vote or other action) on the part of Parent or Merger Sub or any of their Affiliates is necessary to authorize the execution, delivery and performance by Parent and Merger Sub of this Agreement and the consummation by Parent and Merger Sub of the Transactions (including the delivery of BAM Class A Stock as Stock Consideration pursuant to this Agreement). This Agreement has been duly executed and delivered by Parent and Merger Sub and, assuming due authorization, execution and delivery hereof by each other party, constitutes a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of them in accordance with its terms, except that such enforceability may be limited by and is subject to the Bankruptcy and Equity Exception.

(b) Each of the Parent Board and the Merger Sub Board have unanimously (i) determined that the terms of this Agreement are in the best interests of Parent or Merger Sub, as applicable, (ii) approved and adopted and declared the advisability of this Agreement and the Transactions, including the Merger, as of the date of this Agreement, and such resolutions have not been subsequently rescinded, modified or withdrawn in any way.

(c) Neither the execution and delivery of this Agreement by Parent and Merger Sub, nor the consummation by Parent or Merger Sub of the Transactions, nor performance of or compliance by Parent or Merger Sub with any of the terms or provisions hereof, will (i) conflict with or violate any provision of the certificates or articles of incorporation, memorandums of association, bylaws, bye-laws or other comparable charter or organizational documents of (A) Parent or Merger Sub or (B) any of Parent's other Subsidiaries or (ii) assuming (A) compliance with the matters set forth in Section 4.03(c) (other than Section 4.03(c)(ii)(A)) (and assuming the accuracy of the representations and warranties made in such Section 4.03(c)), (B) that the actions described in Section 5.02(a) have been completed, (C) that the Consents referred to in Section 5.03 and, in the case of Merger Sub, the Merger Sub Shareholder Approval are obtained and (D) that the filings referred to in Section 5.03 are made and any waiting periods thereunder have terminated or expired, in the case of each of the foregoing clauses (A) through (D), prior to the Effective Time, (x) assuming the accuracy of the representations and warranties made in Section 4.26, violate any Law applicable to Parent or any of its Subsidiaries, (y) require any consent or notice, or conflict with, violate or constitute a default under any of the terms, conditions or provisions of any material Contract to which Parent or any of its Subsidiaries is a party or give rise to any right of purchase, termination, amendment, acceleration or cancellation under, result in the loss of any benefit under, or result in the triggering of any payments pursuant to, obligations under any such material Contract or (z) result in the creation of any Lien on any properties or assets of Parent or any of its Subsidiaries, except, in the case of clauses (ii)(y) and (ii)(z), as would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions.

(d) The Merger Sub Shareholder Approval (which approval shall be provided by the written consent of Arches Acquisition Holdco II Inc. as contemplated by Section 7.12) is the only vote or approval of the holders of any class or series of shares of Merger Sub that is necessary to approve this Agreement and the Merger.

SECTION 5.03. Governmental Approvals. Except for (a) compliance with the applicable requirements of the Exchange Act and Securities Act and the rules and regulations thereunder, including the filing with the SEC of (i) the Proxy Statement/Prospectus, (ii) solely if any Stock Consideration is included in the Merger Consideration, a registration statement on Form F-4 relating to the registration under the Securities Act of the shares of BAM Class A Stock that will constitute Stock Consideration (the "Form F-4") and declaration of effectiveness of the Form F-4 and (iii) such other reports as are required in connection with the Transactions, (b) solely if any Stock Consideration is included in the Merger Consideration, filings required under, and compliance with, the rules and regulations of the NYSE, including the approvals of the NYSE to authorize the listing of such shares of BAM Class A Stock, (c) filings required under, and compliance with other applicable requirements of, the HSR Act, and such other Consents, filings, declarations or registrations as are required to be made or obtained under any other Antitrust Laws, (d) the filing with FINRA of an application by the Broker-Dealer Subsidiary under FINRA Rule 1017 and the receipt of FINRA's approval of such application, (e) compliance with any applicable state securities or blue sky laws, (f) approvals, filings and notices under all applicable Insurance Laws as set forth in Section 5.03 of the Parent Disclosure Letter (the "Parent Insurance Approvals"),

(g) the Company Insurance Approvals (assuming the accuracy of the representations and warranties made in Section 4.04(g) and the completeness of Section 4.04(g) of the Company Disclosure Letter) and (h) such other Consents, filings, declarations or registrations that, if not obtained, made or given, would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or impair the consummation by the Parent Entities of the Transactions on a timely basis, and assuming the accuracy of the representations and warranties made in Section 4.26, no Consent of, or filing, declaration or registration with, any Governmental Authority is necessary for the execution and delivery of this Agreement by Parent and Merger Sub, the performance by Parent and Merger Sub of their obligations hereunder and the consummation by Parent and Merger Sub of the Transactions.

SECTION 5.04. Ownership and Operations of Merger Sub. Parent owns beneficially and of record, indirectly through one or more wholly owned Subsidiaries as set forth on Section 5.04 of the Parent Disclosure Schedule, all of the issued and outstanding shares of Merger Sub, free and clear of all Liens. Merger Sub was formed solely for the purpose of engaging in the Transactions, has no assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to the Transactions, and prior to the Effective Time, will not have engaged in any business activities other than those relating to the Transactions.

SECTION 5.05. Sufficient Funds. Parent and Merger Sub collectively have, or have available to them, as of the date of this Agreement and will continue to have, or have available to them, through and at the Effective Time unencumbered cash or cash equivalents that are sufficient to permit Parent to pay the aggregate Cash Consideration, consideration payable to holders of Company Awards pursuant to Section 3.03 and any other amount required to be paid in connection with the consummation of the Transactions, including the Payoff Amount and any amounts that become payable in respect of the redemption of the Senior Notes, and to pay all related fees and expenses of Parent and Merger Sub. For the avoidance of doubt, in no event shall the receipt or availability of any funds or financing by or to Parent or any Affiliate of Parent be a condition to any of Parent's or Merger Sub's obligations hereunder.

SECTION 5.06. Guaranty and Voting Agreement. Concurrently with the execution of this Agreement, BN has delivered to the Company a true, complete and correct copy of its duly executed Guaranty, and the Parent Group Shareholders have delivered to the Company a true, complete and correct copy of their duly executed Voting Agreement. The Guaranty and the Voting Agreement are in full force and effect, have not been amended or modified and constitute a legal, valid and binding obligation of the BN and the Parent Group Shareholders, respectively, enforceable against them in accordance with their terms, subject to the Bankruptcy and Equity Exception. No event has occurred that, with notice or lapse of time or both, would, or would reasonably be expected to, constitute a default on the part of BN or the Parent Group Shareholders pursuant to the Guaranty or the Voting Agreement, as applicable.

SECTION 5.07. Certain Arrangements. As of the date of this Agreement, there are no Contracts or other arrangements or understandings (whether oral or written) or commitments to enter into Contracts or other arrangements or understandings (whether oral or written) (a) between Parent, Merger Sub or any of their Affiliates, on the one hand, and any member of the Company's management or the Company Board, on the other hand, that relate in any way to the Company or any of its Subsidiaries or the Transactions, (b) pursuant to which any shareholder of the Company would be entitled to receive consideration of a different amount or nature than the Merger Consideration or pursuant to which any shareholder of the Company agrees to vote to approve the Merger and this Agreement or agrees to vote against any Superior Proposal or (c) between Parent, Merger Sub or any of their Affiliates, on the one hand, and any holder of Company Awards, on the other hand, pursuant to which such holder would be entitled to receive consideration of a different amount or nature than the consideration payable pursuant to Section 3.03.

SECTION 5.08. Information Supplied. None of the information supplied or to be supplied by or on behalf of Parent or Merger Sub for inclusion or incorporation by reference in the Form F-4 or the Proxy Statement/Prospectus to be sent to the Company's shareholders in connection with the Company Shareholders Meeting (including any amendment or supplement thereto or document incorporated by reference therein) shall, on the date the Proxy Statement/Prospectus is first mailed to the Company's shareholders, at the time of any amendment thereof or supplement thereto and at the time of the Company Shareholders Meeting or at the time the Form F-4 (and any amendment or supplement thereto) is declared effective, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or omit to state a material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Shareholders Meeting which has become false or misleading.

SECTION 5.09. Legal Proceedings. Except as would not reasonably be expected to, individually or in the aggregate, have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions, as of the date of this Agreement, there is no (a) Action pending or, to the Knowledge of Parent, threatened in writing, against Parent or any of its Affiliates or (b) outstanding injunction, order, judgment, ruling, decree or writ imposed upon the Parent Entities or any of their Affiliates, in each case, by or before any Governmental Authority.

SECTION 5.10. Compliance with Laws.

(a) Parent, Merger Sub and each of their respective Affiliates and their respective officers, directors, and personnel are, and since January 1, 2021, have been, in compliance with all Laws, judgments, decrees and orders of Governmental Authorities and Permits, in each case, applicable to Parent, Merger Sub and their respective Affiliates, except as would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions.

(b) Except as would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions, none of Parent, Merger Sub or any of their respective Affiliates is a party to any agreement or settlement with any Governmental Authority, under which it has any ongoing obligations or restrictions, with respect to any actual or alleged violation of any applicable Law.

(c) Parent, Merger Sub and each of their respective Affiliates, and, to the Knowledge of Parent, each of their respective directors, officers, employees, agents, representatives or sales intermediaries (each in their capacities as such) and any other third party acting on behalf of any of Parent, Merger Sub or any of their respective Affiliates, has, since January 1, 2021, complied with all applicable Specified Business Conduct Laws, except as would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions.

(d) Except as would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions, since January 1, 2021, none of Parent, Merger Sub or any of their respective Affiliates, nor, to the Knowledge of Parent, any of their respective directors, officers or employees (each in their capacities as such) has been, subject to any actual, pending or threatened civil, criminal or administrative actions, suits, demands, claims, hearings, notices of violation, investigations, proceedings, demand letters, settlements or enforcement actions, or made any disclosures to any Governmental Authority, involving Parent, Merger Sub or any of their respective Affiliates, in any way relating to any applicable Specified Business Conduct Laws.

(e) None of Parent, Merger Sub or any of their respective Affiliates, nor, to the Knowledge of Parent, any of their respective directors, officers, employees, agents, representatives or sales intermediaries (each in their capacities as such) or any other third party acting on behalf of Parent, Merger Sub or any of their respective Affiliates, is a Sanctioned Person.

(f) Except as would not reasonably be expected to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Parent Entities of the Transactions, since January 1, 2021, none of Parent, Merger Sub or any of their respective Affiliates, nor, to the Knowledge of Parent, any of their respective directors, officers, employees, agents, representatives, sales intermediaries or any other third party acting on their behalf, has engaged in any dealings, transactions, activity or conduct with, involving or for the benefit of, any Sanctioned Person in violation of any Specified Business Conduct Laws.

SECTION 5.11. Ownership of Common Stock or Preferred Stock. Except as set forth in Section 5.11 of the Parent Disclosure Letter, none of Parent, Merger Sub or any of their Affiliates beneficially owns (within the meaning of Section 13 of the Exchange Act), or will prior to the Closing Date beneficially own, any Common Stock or Preferred Stock, or is a party, or will prior to the Closing Date become a party, to any

Contract, other arrangement or understanding (whether written or oral) (other than this Agreement) for the purpose of acquiring, holding, voting or disposing of any Common Stock or Preferred Stock.

SECTION 5.12. Brokers and Other Advisors. Except for Barclays Capital Inc. ("Barclays"), the fees and expenses of which will be paid by Parent, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent, any of its Subsidiaries or any of their respective directors, officers or employees.

SECTION 5.13. Pending Transactions. As of the date hereof, to the Knowledge of Parent, neither Parent nor any of its Affiliates is party to any transaction pending (a) to acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other manner, any Person or portion thereof, or (b) to otherwise acquire or agree to acquire any assets, where the entering into of a definitive agreement relating to or the consummation of such acquisition, merger or consolidation, in each case, would, or would reasonably be expected to, (x) impose any material delay in the obtaining of, or significantly increase the risk of not obtaining, any consents, approvals, licenses, permits, orders, qualifications, authorizations of, or registrations or other actions by, or any filings with or notifications to, any Governmental Authority necessary to consummate the Transactions or the expiration or termination of any applicable waiting period, (y) significantly increase the risk of any Governmental Authority entering a governmental order prohibiting the consummation of the Transactions, or (z) materially delay the consummation of the Transactions.

SECTION 5.14. Ownership Structure. Section 5.14 of the Parent Disclosure Letter sets forth a true, correct and complete list of: (i) Merger Sub and each person who or which, as of the date hereof, "controls" (as such term is defined under the Insurance Laws of the Company Insurance Subsidiaries' domiciliary jurisdictions), directly or indirectly, Merger Sub (such persons, the "Control Persons"), and (ii) all Persons who or which, as of the date hereof, "control" (as such term is defined under the Insurance Laws of the Company Insurance Subsidiaries' domiciliary jurisdictions), directly or indirectly, each of the Control Persons.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BAM

BAM represents and warrants to the Company that except as (A) set forth in the corresponding section of the disclosure letter delivered by BAM to the Company on the date of this Agreement (the "BAM Disclosure Letter") (it being agreed that disclosure set forth in one section or sub-section of the BAM Disclosure Letter shall be deemed disclosure with respect to, and shall be deemed to apply to and qualify, the section or sub-section of this Article VI to which it corresponds in number and each other section or sub-section of this Article VI to the extent the qualifying nature of such disclosure with respect to such other section or sub-section is reasonably apparent on the face of such disclosure) or (B) disclosed in any report, schedule, form, statement, registration statement, prospectus, proxy statement or other document required to be filed or furnished by BAM with the SEC on a timely basis pursuant to the Securities Act or the Exchange Act since November 21, 2022 and publicly available at least three business days prior to the date of this Agreement (collectively with any other reports, schedules, forms, certifications, statements, registration statements, prospectuses, proxy statements and other documents, including the exhibits and other information incorporated therein, filed or furnished by BAM with the SEC after the date hereof, the "BAM SEC Documents"), other than any disclosure contained in such BAM SEC Documents under the heading "Risk Factor" or "Forward-Looking Statements" or sections of such reports, or that otherwise constitute risk factors or forward-looking statements:

SECTION 6.01. Organization; Standing. BAM is a British Columbia company duly organized, validly existing and in good standing under the laws of British Columbia. BAM has all requisite power and authority necessary to carry on its business as it is now being conducted, except as would not reasonably be expected to have a BAM Material Adverse Effect. BAM is duly licensed or qualified to do business and is in good standing (where such concept is recognized under applicable Law) in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not reasonably be expected to have a BAM Material Adverse Effect. BAM has made available to the Company true, complete and correct copies of BAM Organizational Documents.

SECTION 6.02. Capitalization. BAM has an authorized capitalization as of the date of this Agreement consisting of an unlimited number of class A preference shares, an unlimited number of class A limited voting shares ("BAM Class A Stock") and 21,280 class B limited voting shares ("BAM Class B Stock"), and as of the May 31, 2023, no shares of class A preference shares were issued and outstanding, 412,439,447 shares of BAM Class A Stock were issued and outstanding and 21,280 shares of BAM Class B Stock were issued and outstanding. All the outstanding shares of capital stock or other equity interests of BAM and of BAM ULC that are owned by BAM have been duly and validly authorized and issued, are fully paid and non-assessable and, in the case of shares of BAM ULC owned by BAM, are owned free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party, except where the failure to be so authorized and issued, fully paid and non-assessable, owned by BAM, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim could not reasonably be expected to have a BAM Material Adverse Effect. The shares of BAM Class A Stock to be delivered as Stock Consideration pursuant to this Agreement are, and shall be as of their delivery in accordance with the terms of this Agreement to the holders of Common Stock as of immediately prior to the Effective Time, free and clear of any Lien or restriction on voting or transfer, other than Liens created by or through the actions of such holders or any of their respective Affiliates, and any Liens arising under or relating to applicable securities laws.

SECTION 6.03. Authority; Noncontravention.

(a) BAM has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Transactions. The execution, delivery and performance by BAM of this Agreement, and the consummation by BAM of the Transactions, have been duly authorized by BAM, and no other action (including any shareholder vote or other action) on the part of BAM or any of its Affiliates is necessary to authorize the execution, delivery and performance by BAM of this Agreement and the consummation by BAM of the Transactions (including the delivery BAM Class A Stock as Stock Consideration pursuant to this Agreement). This Agreement has been duly executed and delivered by BAM and, assuming due authorization, execution and delivery hereof by each other party, constitutes a legal, valid and binding obligation of BAM, enforceable against it in accordance with its terms, except that such enforceability may be limited by and is subject to the Bankruptcy and Equity Exception.

(b) Neither the execution and delivery of this Agreement by BAM, nor the consummation by BAM of the Transactions, nor performance of or compliance by BAM with any of the terms or provisions hereof, will (i) conflict with or violate any provision of the BAM Organizational Documents or other comparable charter or organizational documents of (A) BAM or (B) any of BAM's other Subsidiaries or (ii) assuming (A) compliance with the matters set forth in Section 4.03(c) (other than Section 4.03(c)(ii)(A)) (and assuming the accuracy of the representations and warranties made in such Section 4.03(c)), (B) that the actions described in Section 6.03(a) have been completed, (C) that the Consents referred to in Section 6.04 are obtained and (D) that the filings referred to in Section 6.04 are made and any waiting periods thereunder have terminated or expired, in the case of each of the foregoing clauses (A) through (D), prior to the Effective Time, (x) assuming the accuracy of the representations and warranties in Section 4.26, violate any Law applicable to BAM or any of its Affiliates, (y) require any consent or notice, or conflict with, violate or constitute a default under any of the terms, conditions or provisions of any material Contract to which BAM or any of its Subsidiaries is a party or give rise to any right of purchase, termination, amendment, acceleration or cancellation under, result in the loss of any benefit under or result in the triggering of any payments pursuant to, obligations under any such material Contract or (z) result in the creation of any Lien on any properties or assets of BAM or any of its Subsidiaries, except, in the case of clauses (ii)(y) and (ii)(z), as would not reasonably be expected to have a BAM Material Adverse Effect.

SECTION 6.04. Governmental Approvals. Except for (a) compliance with the applicable requirements of the Exchange Act and Securities Act and the rules and regulations thereunder, including the filing with the SEC of (i) the Proxy Statement/Prospectus, (ii) a registration statement on Form F-4 and declaration of effectiveness of the Form F-4 and (iii) such other reports required in connection with the Transactions, (b) filings required under, and compliance with the rules and regulations of the NYSE, including the approvals of the NYSE to authorize the listing of such shares of BAM Class A Stock, (c) filings required under, and compliance with other applicable requirements of, the HSR Act, and such other Consents, filings, declarations or registrations as are required to be made or obtained under any other Antitrust Laws, (d) compliance with any applicable state securities or blue sky laws, (e) the Company Insurance Approvals (assuming the accuracy of the representations and warranties made in Section 4.04(g) and the completeness of Section 4.04(g) of the Company Disclosure Letter) and (f) such other Consents, filings, declarations or registrations that, if not obtained, made or given, would not reasonably be expected to have a BAM Material Adverse Effect, and assuming the accuracy of the representations and warranties made in Section 4.26, no Consent of, or filing, declaration or registration with, any Governmental Authority is necessary for the execution and delivery of this Agreement by BAM, the performance by BAM of its obligations hereunder and the consummation by BAM of the Transactions.

SECTION 6.05. Investment Company Act. BAM is not, and after giving effect to the exchange of BAM Class A Stock for Common Stock by the holders thereof, will not be an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the SEC thereunder.

SECTION 6.06. Certain Arrangements. As of the date of this Agreement, there are no Contracts or other arrangements or understandings (whether oral or written) or commitments to enter into Contracts or other arrangements or understandings (whether oral or written) (a) between BAM or any of its Affiliates, on the one hand, and any member of the Company's management or the Company Board, on the other hand, that relate in any way to the Company or any of its Subsidiaries or the Transactions, (b) pursuant to which any shareholder of the Company would be entitled to receive consideration of a different amount or nature than the Merger Consideration or pursuant to which any shareholder of the Company agrees to vote to approve the Merger and this Agreement or agrees to vote against any Superior Proposal or (c) between BAM or any of its Affiliates, on the one hand, and any holder of Company Awards, on the other hand, pursuant to which such holder would be entitled to receive consideration of a different amount or nature than the consideration payable pursuant to Section 3.03.

SECTION 6.07. Information Supplied. None of the information supplied or to be supplied by or on behalf of BAM or any of its Affiliates for inclusion or incorporation by reference in the Form F-4 or the Proxy Statement/Prospectus to be sent to the Company's shareholders in connection with the Company Shareholders Meeting (including any amendment or supplement thereto or document incorporated by reference therein) shall, on the date the Proxy Statement/Prospectus is first mailed to the Company's shareholders, at the time of any amendment thereof or supplement thereto and at the time of the Company Shareholders Meeting, or at the time the Form F-4 (and any amendment or supplement thereto) is declared effective, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or omit to state a material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Shareholders Meeting which has become false or misleading.

SECTION 6.08. <u>BAM SEC Documents; Undisclosed Liabilities</u>.

(a) BAM has filed with or furnished to (as applicable) the SEC the BAM SEC Documents. As of their respective effective dates (in the case of BAM SEC Documents that are registration statements filed pursuant to the requirements of the Securities Act) or their respective SEC filing dates (in the case of all other BAM SEC Documents), or, if supplemented, modified or amended since the time of filing, as of the date of the most recent supplement, modification or amendment, the BAM SEC Documents complied in all material respects with the requirements of the Securities Act, the Exchange Act, the Sarbanes-Oxley Act and the applicable rules and regulations of the SEC promulgated thereunder, applicable to such BAM SEC Documents, and none of the BAM SEC Documents contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments from the SEC staff with respect to any BAM SEC Document.

(b) Each of the consolidated financial statements of BAM (including all related notes or schedules) included or incorporated by reference in the BAM SEC Documents complied as to form, as of the dates and for the periods referred to therein and as of their respective dates of filing with the SEC, in all material respects with the applicable accounting requirements and published rules and regulations of the SEC, the Securities Act and the Exchange Act with respect thereto, have been prepared in all material respects in accordance with GAAP as in effect on the date of such statement (except, in the case of unaudited quarterly statements, for normal and recurring year-end adjustments) applied on a consistent basis during the periods involved (except (i) as may be indicated in the notes thereto or (ii) as permitted by Regulation S-X) and fairly present in all material respects the consolidated financial position of BAM and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations, changes in shareholders' equity and cash flows for the periods shown (subject, in the case of unaudited quarterly financial statements, to normal year-end adjustments). Since November 21, 2022, BAM has not made any material change in the accounting practices or policies applied in the preparation of its financial statements, except as required by GAAP, SEC rule or policy or applicable Law. None of BAM or its Subsidiaries is a party to, or has any obligation or other commitment to become a party to, any "off balance sheet arrangement" (as defined in Item 303(a) of Regulation S-K promulgated by the SEC).

(c) Neither BAM nor any of its Subsidiaries has any liabilities of any nature (whether accrued, absolute, contingent or otherwise) that would be required under GAAP, as in effect on the date of this Agreement, to be reflected on a consolidated balance sheet of BAM (including the notes thereto) except liabilities (i) reflected or reserved against in the balance sheet (or the notes thereto) of BAM and its Subsidiaries as of December 31, 2022, included in the Filed SEC Documents, (ii) incurred after December 31, 2022, in the ordinary course of business, (iii) as contemplated by this Agreement or otherwise incurred in connection with the Transactions, (iv) as relate to Taxes or (v) as would not reasonably be expected to prevent or to impede, interfere with, hinder or delay in any material respect the consummation of the Transactions or be material to BAM and its Subsidiaries, taken as a whole.

(d) BAM is, and since November 21, 2022, has been, in compliance in all material respects with the provisions of the Sarbanes-Oxley Act that are applicable to BAM.

(e) No material weaknesses exist with respect to the internal control over financial reporting of BAM that would be required to be disclosed by BAM pursuant to Item 308(a)(3) of Regulation S-K promulgated by the SEC that have not been disclosed in the BAM SEC Documents as filed with or furnished to the SEC prior to the date of this Agreement. BAM maintains a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that is designed to provide reasonable assurances (x) regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, (y) that receipts and expenditures of BAM are being made only in accordance with authorizations of management and the directors of BAM and (z) regarding prevention or timely detection of the unauthorized acquisition, use or disposition of BAM's and its Subsidiaries' assets that could have a material effect on BAM's financial statements. BAM has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e), as applicable, under the Exchange Act) as required by Rule 13a-15 under the Exchange Act, designed to ensure that information required to be disclosed by BAM in the reports that it files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including that the information required to be disclosed by BAM in the reports that it files and submits under the Exchange Act is accumulated and communicated to management of BAM, as appropriate, to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act. Since November 22, 2022, neither BAM nor any of its Subsidiaries has received any written complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of BAM or any of its Subsidiaries or their respective internal accounting controls or any allegation of fraud that involves management of BAM or any other employee of BAM or any of its Subsidiaries who has a significant role in BAM's internal controls over financial reporting or disclosure controls and procedures. BAM has disclosed, based on its most recent evaluation, to BAM's outside auditors and the audit committee of the Board of Directors of BAM, (i) all significant deficiencies and material weaknesses in the design and operation of internal control over financial reporting which are reasonably likely to adversely affect in any material respect BAM's ability to record, process, summarize and report financial data and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in BAM's internal control over financial reporting.

(f) BAM is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the NYSE and the Toronto Stock Exchange ("TSX").

(g) As of the date hereof, except as disclosed in the BAM SEC Documents, within the last twelve (12) months, no event has occurred and no relationship exists that would be required to be reported by BAM pursuant to Item 404 of Regulation S-K.

SECTION 6.09. Absence of Certain Changes. From December 31, 2022 through the date of this Agreement, except for (a) the execution, delivery and performance of this Agreement and the discussions, negotiations and transactions related thereto (including the Transactions) and to alternative transactions to the Transactions and (b) any COVID Measures, (i) the business of BAM has been conducted in all material respects in the ordinary course of business and (ii) there has not been any event or condition that has had, or would reasonably be expected to have, a BAM Material Adverse Effect.

SECTION 6.10. Legal Proceedings. Except as would not reasonably be expected to, individually or in the aggregate, have a BAM Material Adverse Effect, as of the date of this Agreement, there is no (a) Action pending or, to the Knowledge of BAM, threatened in writing, against BAM or any of its Affiliates or (b) outstanding injunction, order, judgment, ruling, decree or writ imposed upon BAM or any of its Affiliates, in each case, by or before any Governmental Authority.

SECTION 6.11. Compliance with Laws.

(a) BAM and each of its Affiliates and their respective officers, directors, and personnel are, and since July 4, 2022, have been, in compliance with all Laws, judgments, decrees and orders of Governmental Authorities and Permits, in each case, applicable to BAM or any of its Affiliates, except as would not reasonably be expected to have a BAM Material Adverse Effect.

(b) Except as would not reasonably be expected to have a BAM Material Adverse Effect neither BAM nor any of its Affiliates is a party to any agreement or settlement with any Governmental Authority, under which it has any ongoing obligations or restrictions, with respect to any actual or alleged violation of any applicable Law.

(c) BAM, each of its Affiliates, and, to the Knowledge of BAM, each of their respective directors, officers, employees, agents, representatives or sales intermediaries (each in their capacities as such) and any other third party acting on behalf of BAM or any of its Affiliates, has, since July 4, 2022, complied with all applicable Specified Business Conduct Laws, except as would not reasonably be expected to have a BAM Material Adverse Effect.

(d) Except as would not reasonably be expected to have a BAM Material Adverse Effect, since July 4, 2022, neither BAM nor any of its Affiliates, nor, to the Knowledge of BAM, any of their respective directors, officers or employees (each in their capacities as such) has been, subject to any actual, pending or threatened civil, criminal or administrative actions, suits, demands, claims, hearings, notices of violation, investigations, proceedings, demand letters, settlements or enforcement actions, or made any disclosures to any Governmental Authority, involving BAM or any of its Affiliates, in any way relating to any applicable Specified Business Conduct Laws.

(e) Neither BAM nor any of its Affiliates, nor, to the Knowledge of BAM, any of their respective directors, officers, employees, agents, representatives or sales intermediaries (each in their capacities as such) or any other third party acting on behalf of BAM or any of its Affiliates, is a Sanctioned Person.

(f) Except as would not reasonably be expected to have a BAM Material Adverse Effect, since July 4, 2022, neither BAM nor any of its Affiliates, nor, to the Knowledge of BAM, any of their respective directors, officers, employees, agents, representatives, sales intermediaries or any other third party acting on their behalf, has engaged in any dealings, transactions, activity or conduct with, involving or for the benefit of, any Sanctioned Person in violation of any Specified Business Conduct Laws.

SECTION 6.12. Brokers and Other Advisors. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of BAM, any of its Subsidiaries or any of their respective directors, officers or employees.

ARTICLE VII

ADDITIONAL COVENANTS AND AGREEMENTS

SECTION 7.01. Conduct of Business by the Company.

(a) During the period from the date of this Agreement through the earlier of the Closing and the termination of this Agreement, except as required by applicable Law, as expressly required by an Insurance Regulator, a Governmental Authority or the National Association of Insurance Commissioners ("NAIC") or as expressly required or permitted by this Agreement or described in Section 7.01(a) of the Company Disclosure Letter, unless Parent otherwise requests or consents in writing (such consent not to be unreasonably withheld, conditioned or delayed), (w) the Company shall, and shall cause each of its Subsidiaries to, carry on its business in all material respects in the ordinary course, (x) to the extent consistent with clause (w) and subject to clause (y), the Company shall, and shall cause its Subsidiaries to, use its and their commercially reasonable efforts to (1) preserve their respective business organizations substantially intact, (2) preserve existing relations with Governmental Authorities, policyholders, reinsurance providers, rating agencies, producers, service providers and other Persons with whom the Company or its Subsidiaries have significant business relationships, and (3) retain the services of its and their current officers and key employees, in each case, in all material respects and (y) the Company shall not, and shall not permit any of its Subsidiaries to (it being understood that no act or omission by the Company or any of its Subsidiaries with respect to the matters specifically addressed by any provision of this clause (y) below shall be deemed to be a breach of clause (w) or (x)):

(i) (A) issue, sell or grant, or authorize the issue, sale or grant of, any Common Stock, Preferred Stock or other equity or voting interests of the Company, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for, any Common Stock, Preferred Stock or other equity or voting interests of the Company or any of its Subsidiaries, or any options, rights, warrants or other commitments or agreements to acquire from the Company or any of its Subsidiaries, or that obligate the Company or any of its Subsidiaries to issue, any share capital of, or other equity or voting interests in, or any securities convertible into or exchangeable for shares of, or other equity or voting interests in, the Company or any of its Subsidiaries; provided that the Company may issue Common Stock, Preferred Stock or other securities as required pursuant to the vesting, settlement or exercise of Company Awards or Company Rights, in either case, that are (x) outstanding on the date of this Agreement in accordance with the terms of the applicable Company Award or Company Right in effect on the date of this Agreement or (y) granted after the date of this Agreement in accordance with Section 7.01(a) of the Company Disclosure Letter; provided, further, that the Subsidiaries of the Company may make any such issuances, sales or grants to the Company or a direct or indirect wholly owned Subsidiary of the Company, (B) redeem, purchase or otherwise acquire, or propose to redeem, purchase or otherwise acquire, any outstanding Common Stock, Preferred Stock or other equity or voting interests of the Company, or any other securities or indebtedness of the Company, or any rights, warrants or options to acquire any Common Stock, Preferred Stock or other equity or voting interests of the Company, or any other securities or indebtedness of the Company, except (x) the acquisition by the Company of Common Stock in connection with the surrender of Common Stock by a holder of a Company Option in order to pay the exercise price of such Company Option or (y) the withholding or disposition of Common Stock to satisfy Tax withholding obligations with respect to Company Awards, (C) in the case of the Company, establish a record date for, declare or propose to declare, set aside for payment or pay any dividend on, or make any other distribution in respect of the Preferred Stock or other equity or voting interests of the Company, in each case, other than cash dividends with respect to the Common Stock and the Preferred Stock as set forth in Section 7.01(a)(i) of the Company Disclosure Letter or (D) adjust, split, combine, subdivide or reclassify, or propose to adjust, split, combine, subdivide or reclassify, any Common Stock, Preferred Stock or other equity or voting interests of the Company or any of its Subsidiaries, or any other securities in respect thereof, in lieu thereof or in substitution therefor;

(ii) (A) incur, assume, guarantee or otherwise become responsible for any Indebtedness for borrowed money, except for (v) Indebtedness incurred solely between the Company and any of its Subsidiaries or solely between its Subsidiaries, (w) subject to Section 7.01(a)(xx), any incurrence, assumption or guarantee of indebtedness by any Company Insurance Subsidiary in the ordinary course (including any letters of credit issued in connection with ordinary course reinsurance transactions), (x) guarantees of Indebtedness incurred in compliance with this Section 7.01(a)(ii), (y) Indebtedness in replacement of or to refinance existing Indebtedness, provided that such replacement or refinancing indebtedness is in an aggregate principal amount not greater than the principal amount of debt so replaced or prepaid (plus any fees, premiums or penalties payable in connection with such replacement or refinancing) and (z) any other incurrence, assumption or guarantee of Indebtedness so long as the aggregate principal amount thereof does not exceed $25,000,000, or (B) enter into any swap or hedging transaction or other derivative agreements (or amend or modify any such transaction or agreement) other than in the ordinary course of business and in compliance with the Investment Guidelines; provided that, in each case under this clause (ii), the incurrence or replacement of any Indebtedness that is extinguished in full prior to, or concurrently with, the Closing in an amount not to exceed $25,000,000 in the aggregate shall not be deemed to be a breach of this provision;

(iii) sell, lease or place under management to or by any Person, in a single transaction or series of related transactions, any of its owned properties or assets (other than Intellectual Property, which is the subject of Section 7.01(a)(xix)) whose value or purchase price exceeds $10,000,000 individually, or $25,000,000 in the aggregate, except for (A) dispositions of obsolete, surplus or worn out assets or assets that are no longer used or useful in the conduct of the business of the Company or any of its Subsidiaries, (B) transfers among the Company and its Subsidiaries, (C) leases and subleases of real property owned or leased by the Company and any of its Subsidiaries, (D) pursuant to Contracts in effect on the date of this Agreement (or entered into after the date of this Agreement in compliance with this Agreement) or (E) subject to Section 7.01(a)(xx), other transactions in the ordinary course of business (including portfolio management transactions by Company Insurance Subsidiaries) or consistent with the Investment Guidelines (including in connection with cash management or investment portfolio activities);

(iv) make any loans, advances or capital contributions to, or investments in, any other person (other than any Subsidiary of the Company) other than (A) loans by any Company Insurance Subsidiary that constitute Investment Assets subject to Section 7.01(a)(xx) or made in the ordinary course of business not to exceed $1,000,000 individually, or $25,000,000 in the aggregate, (B) advances for expenses incurred in the ordinary course of business, (C) subject to Section 7.01(a)(xx), as relates to Investment Assets made in the ordinary course of business and (D) in connection with transactions permitted pursuant to Section 7.01(a)(v);

(v) make any acquisition (including by merger or amalgamation) of the share capital or other equity or voting interests of any other Person or a material portion of the assets of any other Person or any business or any corporation, partnership, joint venture, association or other business organization or division thereof, in each case for consideration in excess of $10,000,000 individually or $25,000,000 in the aggregate, except for and subject to Section 7.01(a)(xx), Investment Assets acquired in the ordinary course of business;

(vi) except as required pursuant to the terms of any Company Plan in effect on the date of this Agreement, (A) grant to any Company Employee with an annual base salary or annualized base wage rate (as applicable) of (1) $250,000 or above, any increase in compensation or benefits (or pay any bonus to, or grant any loan to any such Company Employees) and (2) below $250,000 an increase in excess of 5% of such employee's annual base salary or annualized base wage rate (as applicable) in effect as of the date hereof, (B) grant any new (or increase any existing) rights to any current or former director, officer or employee of the Company or any of its Subsidiaries in respect of any severance, change in control, retention, termination or similar compensation or benefits, (C) make any bonus, bonus opportunity, incentive award, equity or equity-based award to any current, former or prospective director, officer, employee, agent or consultant of the Company or any Company Subsidiary, (D) take any action to accelerate the vesting or lapse of restrictions or payment, or to fund or secure the payment of, any compensation or benefits, (E) establish, adopt, enter into, terminate, modify or amend any material Company Plan (other than ministerial or other administrative changes that do not materially increase the cost to the Company and its Subsidiaries of administering the Company Plan) or collective bargaining agreement or other agreement with a labor union, works council, trade union, labor association or other employee representative organization, (F) hire or terminate (other than for "cause") the employment of any individual who is or would be (as applicable) a Company Employee with an annual base salary or annualized base wage rate (as applicable) of $250,000 or above; provided, however, that the foregoing shall not restrict the Company or any of its Subsidiaries from entering into or making available to newly hired employees or to current Company Employees with an annual base salary or annualized base wage rate (as applicable) below $250,000 in the context of promotions based on job performance or workplace requirements, in each case, in the ordinary course of business, plans, agreements, benefits and compensation arrangements (excluding equity-based incentive grants) that have terms and a value that is consistent with the past practice of making compensation and benefits available to newly hired or promoted employees in similar positions;

(vii) issue or forgive any loans (other than routine travel or business expense advances issued in the ordinary course of business) to any employee, director or independent contractor (who is a natural person) of the Company or any of its Subsidiaries;

(viii) make any material changes, alterations or departures in financial accounting methods, principles or practices materially affecting the consolidated assets, liabilities or results of operations of the Company and its Subsidiaries, except insofar as may be required by (or in the reasonable good faith judgment of the Company, advisable under) (A) GAAP (or any interpretation thereof), including pursuant to standards, guidelines and interpretations of the FASB or any similar organization, (B) Applicable SAP (or any interpretation thereof), including pursuant to standards, guidelines and interpretations of the NAIC or (C) any applicable Laws, including Regulation S-X under the Securities Act, or any Governmental Authority;

(ix) except as may be required by (or, in the reasonable good faith judgment of the Company, advisable under) (A) GAAP (or any interpretation thereof), including pursuant to standards, guidelines and interpretations of the FASB or any similar organization, (B) Applicable SAP (or any interpretation thereof), including pursuant to standards, guidelines and interpretations of the NAIC or (C) any applicable Laws or any Governmental Authority, alter, amend or depart from in any material respect any existing financial accounting practice guideline, policy or principle of the Company or any of its Subsidiaries;

(x) except as may be required by (or, in the reasonable good faith judgment of the Company, advisable under) (A) GAAP (or any interpretation thereof), including pursuant to standards, guidelines and interpretations of the FASB or any similar organization, (B) Applicable SAP (or any interpretation thereof), including pursuant to standards, guidelines and interpretations of the NAIC or (C) any applicable Laws or any Governmental Authority, alter, amend or depart, in each case, that would result in a material deviation (with materiality measured relative to the Company and its Subsidiaries, taken as a whole) from any existing underwriting, reserving, claim handling, actuarial, loss control, investment, reinsurance or retrocession practice guideline, policy or principle of the Company and its Subsidiaries;

(xi) (A) amend the Company Organizational Documents or (B) amend in any material respect the comparable organizational documents of any of the Subsidiaries of the Company in a manner that would reasonably be expected to prevent or to impede, interfere with, hinder or delay in any material respect the consummation of the Transactions;

(xii) adopt a plan or agreement of complete or partial liquidation or dissolution, merger, amalgamation, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its Subsidiaries (other than dormant Subsidiaries or, with respect to any merger, amalgamation or consolidation, other than among the Company and any wholly owned Subsidiary of the Company or among wholly owned Subsidiaries of the Company);

(xiii) grant any Lien (other than Permitted Liens) on any of its material assets other than to secure Indebtedness permitted pursuant to Section 7.01(a)(ii);

(xiv) other than in connection with claims under Insurance Contracts or Reinsurance Agreements, settle or compromise any pending or threatened Action against the Company or any of its Subsidiaries for a cash settlement amount of more than $10,000,000 individually or $25,000,000 in the aggregate (net of amounts reserved for such matters by the Company or any of its Subsidiaries or amounts covered by insurance), or which settlement imposes any material restrictions on any of the future activities of the Company and its Subsidiaries or that imposes equitable relief on, or the admission of wrongdoing by, the Company, any of its Subsidiaries or any of their respective officers or directors;

(xv) (A) make (inconsistent with past practice), change or revoke any Tax election that is material to the Company and its Subsidiaries, taken as a whole; (B) settle or compromise any audit, claim, assessment or other proceeding relating to a material amount of Tax; (C) make any change to any annual Tax accounting period or method of Tax accounting, which change is material to the Company and its Subsidiaries, taken as a whole; (D) amend, refile or otherwise revise any previously filed material Tax Return; (E) request a ruling relating to Tax (other than requests for automatic changes to methods of Tax accounting, which requests are exclusively addressed in clause (C) above); (F) enter into or terminate any agreement with any Tax authority with respect to Tax (other than agreements to settle or compromise such audits, claims, assessments or other proceedings referred to in clause (B), which are exclusively addressed in clause (B)); (G) surrender any right to claim a refund of material Taxes; (H) consent to any extension or waiver of the limitation period applicable to any Tax claim or Tax assessment that is, in each case, material to the Company and its Subsidiaries, taken as a whole; or (I) enter into any Tax sharing, indemnity or similar agreement (other than any such agreement (1) solely among the Company or any of its Subsidiaries or (2) that does not relate principally to Taxes);

(xvi) (A) enter into any new material line of business that is not an annuity line of business and in which the Company and its Subsidiaries do not operate as of the date of this Agreement and which is not complementary to any existing lines of business of the Company and its Subsidiaries; provided, that the aggregate amount of the Company's and its Subsidiaries' general account assets used or reserved for use with respect to all such new lines of business do not exceed $200,000,000 in the aggregate; or (B) withdraw from any existing material line of business;

(xvii) (A) commute, recapture, terminate, materially amend or cause or permit (to the extent within the control of the Company and its Subsidiaries) the acceleration of any material amounts payable under any third-party Reinsurance Agreement, IMA or Material Contract, other than, in the case of any Material Contract evidencing Indebtedness, any amendment or waiver obtained pursuant to, and in accordance with, Section 7.17(c) or (B) enter into any Contract that would have been a Reinsurance Agreement with a third-party or an IMA or a Material Contract had it been entered into before the execution of this Agreement;

(xviii) amend the Investment Guidelines set forth in Section 7.01(a)(xviii) of the Company Disclosure Letter in any material respect;

(xix) voluntarily (A) abandon, dispose of or permit to lapse any Company Intellectual Property material to the Company and its Subsidiaries, taken as a whole, other than in the ordinary course of business or at the end of the statutory term for such Company Intellectual Property, or (B) fail to maintain the secrecy of any material Trade Secrets included in the Company Intellectual Property, other than in the ordinary course of business;

(xx) acquire or make any commitment to acquire Investment Assets, other than as set forth in Section 7.01(a)(xx) of the Company Disclosure Letter; or

(xxi) authorize any of, or commit or agree, in writing or otherwise, to take any of, the foregoing actions.

(b) Nothing in this Agreement is intended to give Parent, directly or indirectly, the right to control or direct the Company's or its Subsidiaries' operations prior to the Effective Time, and nothing in this Agreement is intended to give the Company, directly or indirectly, the right to control or direct Parent's or its Subsidiaries' operations. Prior to the Effective Time, each of Parent and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' respective operations.

SECTION 7.02. Conduct of Business by BAM.

(a) During the period from the date of this Agreement through the earlier of the Closing and the termination of this Agreement, except as required by applicable Law or as expressly required or permitted by this Agreement or described in Section 7.02(a) of the BAM Disclosure Letter, unless the Company otherwise consents in writing (such consent not to be unreasonably withheld, conditioned or delayed), (x) BAM shall, and shall cause each of its Subsidiaries to, carry on their respective businesses in all material respects in the ordinary course, and (y) BAM shall not, and shall not permit any of its Subsidiaries to (it being understood that no act or omission by BAM or any of its Subsidiaries with respect to the matters specifically addressed by any provision of this clause (y) below shall be deemed to be a breach of clause (x)):

(i) establish a record date for, declare or propose to declare, set aside for payment or pay in respect of the BAM Class A Stock any (A) non-cash dividend or other non-cash distribution or (B) any cash dividend or other distribution other than regular quarterly cash dividends declared in the ordinary course of business consistent with BAM's dividend policy as in effect on the date hereof and set forth in the BAM SEC Documents;

(ii) (A) amend the BAM Organizational Documents or (B) amend in any material respect the comparable organizational documents of any of the Subsidiaries of BAM in a manner that would reasonably be expected to prevent or impede, interfere with, hinder or delay in any material respect the consummation of the Transactions;

(iii) adopt a plan or agreement of complete or partial liquidation or dissolution, merger, amalgamation, consolidation, restructuring, recapitalization or other reorganization of or involving BAM or any of its Subsidiaries (other than dormant Subsidiaries or, with respect to any merger, amalgamation or consolidation, other than among BAM and any wholly owned Subsidiary of BAM or among wholly owned Subsidiaries of BAM); or

(iv) authorize any of, or commit or agree, in writing or otherwise, to take any of, the foregoing actions.

(b) During the period that begins five business days before the BAM Class A Stock Price Measuring Period through the earlier of the Closing and the termination of this Agreement, except as required by applicable Law or as expressly required or permitted by this Agreement or described in Section 7.02(b) of the BAM Disclosure Letter, unless the Company otherwise consents in writing (such consent not to be unreasonably withheld, conditioned or delayed), BAM shall not, and shall not permit any of its Subsidiaries to redeem, purchase or otherwise acquire, or propose to redeem, purchase or otherwise acquire, any outstanding BAM Class A Stock or other equity or voting interests of BAM, or any other securities or indebtedness of BAM, or any rights, warrants or options to acquire any BAM Class A Stock or other equity or voting interests of BAM, or any other securities or indebtedness of BAM.

SECTION 7.03. No Solicitation by the Company; Change in Recommendation.

(a) Except as permitted by this Section 7.03, from and after the date hereof and continuing until the earlier of the Effective Time and the termination of this Agreement and abandonment of the Transactions pursuant to Article IX, the Company shall, and the Company shall cause each of its Subsidiaries, and its and their respective directors, officers and employees to, and shall use its reasonable best efforts to cause its other Representatives to, (i) immediately cease any solicitation, encouragement, discussions or negotiations of or with any Persons that may be ongoing with respect to a Takeover Proposal and (ii) during the period from the date of this Agreement through the earlier of the Closing and the termination of this Agreement, not, directly or indirectly, (A) solicit, encourage, initiate or knowingly facilitate the submission of any inquiry or the making of any proposal, in each case, that constitutes, or would reasonably be expected to lead to, a Takeover Proposal, (B) engage in or otherwise participate in any discussions or negotiations regarding, or furnish to any other Person any material non-public information for the purpose of facilitating, a Takeover Proposal or (C) approve or recommend, make any public statement approving or recommending, or enter into any letter of intent, agreement or agreement in principle that constitutes or would reasonably be expected to lead to a Takeover Proposal. Promptly following the execution of this Agreement, the Company shall, to the extent it had not previously done so prior to the date of this Agreement, deliver a request to each Person that has previously executed a confidentiality agreement with the Company during the twelve (12) months prior to the date of this Agreement in connection with considering or making a Takeover Proposal to promptly return to the Company or destroy all non-public information previously furnished or made available to such Person or any of its Representatives by or on behalf of the Company or any of its Subsidiaries in accordance with the terms of the applicable confidentiality agreement and immediately terminate all physical and electronic dataroom access previously granted to any such Persons or their Representatives. The Company shall be liable for any action taken by any Representative of the Company that if taken by the Company would constitute a breach of this Section 7.03. Notwithstanding the foregoing, the Company shall be permitted to waive any standstill provision to allow any Person to make a Takeover Proposal to the Company Board on a non-public basis if the Company Board has determined in good faith, after consultation with the Company's outside legal counsel, that failure to take such action would reasonably be expected to be inconsistent with the directors' fiduciary duties under applicable Law.

(b) Notwithstanding anything contained in Section 7.03(a) or any other provision of this Agreement to the contrary, if at any time prior to obtaining the Required Shareholder Approval the Company receives a bona fide Takeover Proposal, then (i) the Company and its Representatives may contact such Person or group of Persons making the Takeover Proposal to clarify the terms and conditions thereof or to request that any Takeover Proposal made orally be made in writing and (ii) if the Company Board has determined in good faith, after consultation with the Company's financial advisors and outside legal counsel, that such Takeover Proposal constitutes or could reasonably be expected to lead to a Superior Proposal, then the Company and its Representatives may (x) enter into an Acceptable Confidentiality Agreement with the Person or group of Persons making the Takeover Proposal and furnish pursuant thereto information (including non-public information) with respect to the Company and its Subsidiaries to the Person or group of Persons who has made such Takeover Proposal; provided that the Company shall simultaneously provide to Parent any information with respect to the Company and its Subsidiaries that is provided to any Person to the extent access to such information was not previously provided to Parent and its Representatives and (y) after entering into an Acceptable Confidentiality Agreement, engage in or otherwise participate in discussions or negotiations with the Person or group of Persons making such Takeover Proposal. In no event may the Company or any of its Subsidiaries or any of their respective Representatives directly or indirectly reimburse or pay, or agree to reimburse or pay, the fees, costs or expenses of, or provide or agree to provide any compensation to, any Person or group of Persons (or any of its or their representatives or potential financing sources) making a Takeover Proposal in connection with any of the foregoing.

(c) The Company shall promptly (and in any event within forty-eight (48) hours) notify Parent in the event that the Company or any of its Subsidiaries or its or their Representatives receives a Takeover Proposal and shall disclose to Parent a summary of the material terms and conditions of any such Takeover Proposal, including, if applicable, copies of any written requests, proposals or offers, including proposed agreements, but not the identity of the Person or group of Persons making such Takeover Proposal. The Company shall keep Parent reasonably informed on a prompt basis of any material developments with respect to any such Takeover Proposal (including any material changes thereto). For the avoidance of doubt, all information provided to Parent pursuant to this Section 7.03 will be subject to the terms of the Confidentiality Agreement.

(d) Neither the Company Board nor any committee thereof shall (x)(A) withhold or withdraw the Company Board Recommendation, (B) modify, qualify or amend the Company Board Recommendation in a manner adverse to Parent, (C) fail to include the Company Board Recommendation in the Proxy Statement/Prospectus, (D) approve, adopt or publicly endorse or recommend any Takeover Proposal, (E) refrain from recommending against any Takeover Proposal that is a tender offer or exchange offer, within 10 business days after the commencement of such tender offer or exchange offer pursuant to Rule 14d-2 of the Exchange Act (or such fewer number of business days as remain prior to the Company Shareholders Meeting as it may be adjourned or postponed) or (F) fail to publicly reaffirm the Company Board Recommendation within 10 business days after receipt of a written request by Parent to make such public reaffirmation following the receipt by the Company of a Takeover Proposal that has not been withdrawn (or, if the Company Shareholders Meeting is scheduled to be held within 10 business days of such request, within five business days of such request and in any event, prior to the date of the Company Shareholders Meeting) (other than in the case of a Takeover Proposal in the form of a tender offer or exchange offer which shall be governed by clause (D)); provided that Parent may make any such request only once in any 10 business day period and only once for each such Takeover Proposal and once for each material amendment to such Takeover Proposal (any prohibited action described in this clause (x) being referred to as an "Adverse Recommendation Change") or (y) authorize, cause or permit the Company or any of its Subsidiaries to execute or enter into any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, amalgamation agreement or other similar agreement related to any Takeover Proposal, other than any Acceptable Confidentiality Agreement pursuant to Section 7.03(b) (each, a "Company Acquisition Agreement"). Notwithstanding the foregoing or any other provision of this Agreement to the contrary, prior to the time the Required Shareholder Approval is obtained, the Company Board may:

(i) in response to an Intervening Event, if the Company Board has determined in good faith, after consultation with the Company's financial advisors and outside legal counsel, that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable Law, make an Adverse Recommendation Change; and

(ii) in response to a Superior Proposal, if the Company Board has determined in good faith, after consultation with the Company's financial advisors and outside legal counsel, that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable Law, (A) make an Adverse Recommendation Change or (B) cause the Company to terminate this Agreement pursuant to Section 9.01(d)(ii) and enter into a Company Acquisition Agreement with respect to such Superior Proposal;

provided that the Company has given Parent at least five business days' prior written notice (a "Company Notice") of its intention to make an Adverse Recommendation Change or has caused the Company to terminate this Agreement pursuant to Section 9.01(d)(ii), which notice (I) in the case of an Intervening Event, specifies the material effects, changes or events comprising such Intervening Event and (II) in the case of a Superior Proposal, discloses (1) the material terms and conditions of such Superior Proposal and the identity of the Person or group of Persons making such Superior Proposal and (2) a copy of the most current version of the Company Acquisition Agreement (if any) with respect to such Superior Proposal; provided, further, that, (X) during such five business day period (it being understood and agreed that any change to the financial or other material terms and conditions of a Superior Proposal shall require an additional Company Notice to Parent of two business days running from the date of such notice), the Company shall have, and shall have caused its Representatives to, negotiate with Parent in good faith (to the extent Parent wishes to negotiate) to make such amendments to the terms and conditions of this Agreement as would enable the Company Board to no longer make an Adverse Recommendation Change or a determination that a Takeover Proposal constitutes a Superior Proposal and (Y) the Company Board shall have determined following the end of such five business day period (as it may be extended pursuant to this Section 7.03(d)), after considering the results of such negotiations and any amendments to this Agreement, the Guaranty and/or the Voting Agreement committed to in writing by Parent, if any, and any other information offered by Parent, after consultation with the Company's financial advisors and outside legal counsel, (i) that the Superior Proposal giving rise to such Company Notice continues to be a Superior Proposal or (ii) that failure to make an Adverse Recommendation Change in respect of the applicable Intervening Event would continue to be inconsistent with the directors' fiduciary duties under applicable Law.

(e) Nothing contained in this Section 7.03 or elsewhere in this Agreement shall prohibit the Company or the Company Board or any committee thereof from (i) taking and disclosing to shareholders of the Company a position or communication contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act (it being understood that any such communication to the shareholders of the Company shall not be deemed to be an Adverse Recommendation Change) or (ii) making any disclosure or communication to shareholders of the Company that the Company Board determines in good faith, based on the advice of its outside legal counsel, is required by the directors' fiduciary duties, applicable Law or the rules and policies of the NYSE.

(f) As used in this Section 7.03, "group" has the meaning ascribed to it in Rule 13d-5 promulgated under the Exchange Act.

SECTION 7.04. Preparation of the Proxy Statement/Prospectus, Form F-4; Shareholders Meeting and Approval.

(a) As soon as reasonably practicable following the date of this Agreement, the Company shall prepare and file with the SEC the Proxy Statement/Prospectus and Parent and BAM shall prepare and file with the SEC the Form F-4, in each case, in preliminary form. The Proxy Statement/Prospectus will be included in and will constitute a part of the Form F-4. Parent, BAM and the Company shall make available to each other all information, and provide such other assistance, as may be reasonably requested in connection with the preparation, filing and distribution of the

Proxy Statement/Prospectus and the Form F-4. Such information and assistance shall include, if requested by Parent or BAM, the provision of such financial statements or other information of the Company and the Company Subsidiaries that are required to be included or incorporated by reference into the Form F-4, and BAM and the Company shall use reasonable best efforts, in each case, to cause their auditors (and any other current or former auditors of BAM or any BAM Subsidiary or the Company or any Company Subsidiary, as the case may be) to deliver any required consents in respect of any financial statements of BAM or any BAM Subsidiary or the Company or any Company Subsidiary, as the case may be, to be included or incorporated by reference into the Form F-4. The Company hereby consents to the inclusion or incorporation by reference into the Form F-4 of any financial statements or other information relating to the Company or any Company Subsidiary required to be included or incorporated by reference therein. Each of Parent, BAM and the Company shall use its reasonable best efforts to respond as promptly as reasonably practicable to any comments of the SEC with respect thereto and to have the Proxy Statement/Prospectus cleared by the SEC, and the Form F-4 declared effective by the SEC, in each case as promptly as reasonably practicable. Parent, BAM and the Company shall notify each other promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement/Prospectus or Form F-4 or for additional information and promptly shall supply each other with copies of all correspondence between it or any of its Representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Proxy Statement/Prospectus or Form F-4. Notwithstanding the foregoing, prior to filing or mailing the Proxy Statement/Prospectus or Form F-4 (or any amendment or supplement thereto) or responding to any comments of the SEC with respect thereto, each of Parent, BAM and the Company, as the case may be, (i) shall provide the other party with a reasonable opportunity to review and comment on such document or response (including the proposed final version of such document or response), (ii) shall consider in good faith all comments reasonably proposed by such other party and (iii) shall not file or mail such document or respond to the SEC prior to receiving such other party's approval, which approval shall not be unreasonably withheld, conditioned or delayed. Each of the Company and the Parent Entities shall advise the other, promptly after receipt of notice thereof, of the time of effectiveness of the Form F-4, the issuance of any stop order relating thereto or the suspension of the qualification of the shares of BAM Class A Stock to be issued as Stock Consideration for offering or sale in any jurisdiction, and each of the Company, Parent and BAM will use its reasonable best efforts to have any such stop order or suspension lifted, reversed or otherwise terminated. Each of the Company and the Parent Entities will also take any other action (other than qualifying to do business in any jurisdiction in which it is not now so qualified) required to be taken under the Securities Act, the Exchange Act, any applicable state securities or "blue sky" laws and the rules and regulations thereunder in connection with the Transactions.

(b) If, prior to (i) receipt of the Required Shareholder Approval in the case of the Proxy Statement/Prospectus or (ii) the Effective Time in the case of the Form F-4, any event or change occurs that is required to be described in an amendment of, or a supplement to, the Proxy Statement/Prospectus or Form F-4, BAM, Parent or the Company, as the case may be, shall promptly notify the other party of such event or change, and BAM, Parent and the Company shall cooperate to promptly prepare and file with the SEC any necessary amendment or supplement to the Proxy Statement/Prospectus or Form F-4 and, as required by applicable Law, disseminate the information contained in any such amendment or supplement to the Proxy Statement/Prospectus or Form F-4 to the Company's shareholders.

(c) Subject to Section 7.04(a), the Company shall take all necessary actions in accordance with applicable Law, the Company Organizational Documents and the rules of the NYSE to establish a record date for, duly call, give notice of, convene and hold a meeting of its shareholders (including any adjournment, recess, reconvening or postponement thereof, the "Company Shareholders Meeting") for the purpose of obtaining the Required Shareholder Approval, as soon as reasonably practicable after the Form F-4 is declared effective under the Securities Act. The Company shall not change the record date for the Company Shareholders Meeting without the prior written consent of Parent (not to be unreasonably withheld, conditioned or delayed). In furtherance of the foregoing and in consultation with Parent, as soon as reasonably practicable after the date hereof, the Company shall set one or more preliminary record dates for the Company Shareholders Meeting and commence a broker search pursuant to Section 14a-13 of the Exchange Act. Subject to Section 7.03, the Company shall use its reasonable best efforts to obtain the Required Shareholder Approval. Notwithstanding anything to the contrary in this Agreement, the Company may, in its sole discretion, adjourn, recess, reconvene or postpone the Company Shareholders Meeting if the Company reasonably believes that (i) such adjournment, recess, reconvening or postponement is necessary to ensure that any required supplement or amendment to the Proxy Statement/Prospectus is provided to the Company's shareholders within a reasonable amount of time in advance of the Company Shareholders Meeting, (ii) after consultation with Parent, at the time of the Originally Scheduled Date, (A) there will be an insufficient number of shares of Common Stock present (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Company Shareholders Meeting or (B) there will be an insufficient number of proxies to obtain the Required Shareholder Approval or (iii) such adjournment, recess, reconvening or postponement is required by Law or a court or other Governmental Authority of competent jurisdiction in connection with any Actions in connection with this Agreement or the Transactions or has been requested by the SEC or its staff; provided that, in the case of an adjournment, recess, reconvening or postponement pursuant to clause (ii) of this Section 7.04(c), the Company Shareholders Meeting shall not be adjourned, recessed, reconvened or postponed (x) to a date later than the third business day preceding the Outside Date or (y) for more than 15 business days from the Originally Scheduled Date, in each case, without the prior written consent of Parent. The Company shall keep Parent updated with reasonable frequency with respect to proxy solicitation results with respect to obtaining the Required Shareholder Approval.

(d) Subject to the provisions of Section 7.03, the Company shall use its reasonable best efforts to solicit from its shareholders proxies in favor of the approval of this Agreement and the Merger and use its reasonable best efforts to take all other actions reasonably necessary or advisable to secure the Required Shareholder Approval (to the extent permitted by Law). Without limiting the generality of the foregoing, if, at the time of the Originally Scheduled Date, (A) there will be an insufficient number of

Common Stock present (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Company Shareholders Meeting or (B) there will be an insufficient number of proxies to obtain the Required Shareholder Approval, then the Company shall, at the request of Parent (to the extent permitted by Law) adjourn, recess, reconvene or postpone the Company Shareholders Meeting; provided that the Company shall not be required pursuant to this sentence to adjourn the Company Shareholders Meeting more than two times or for more than 15 business days in the aggregate from the Originally Scheduled Date. Without the prior written consent of Parent (not to be unreasonably withheld, conditioned or delayed), the approval of this Agreement and Transactions shall be the only matters (other than matters of procedure and matters required by Law to be voted on by the shareholders of the Company in connection with the approval of this Agreement and the Transactions) that the Company shall propose to be acted on by the shareholders of the Company at the Company Shareholders Meeting. The Company agrees that, unless this Agreement shall have been terminated in accordance with Article IX, the Company's obligations to hold the Company Shareholders Meeting pursuant to this Section 7.04 shall not be affected by the commencement, public proposal, public disclosure or communication to the Company of any Takeover Proposal or by any Adverse Recommendation Change.

SECTION 7.05. Reasonable Best Efforts.

(a) Subject to the terms and conditions of this Agreement, each of Parent, Merger Sub and the Company shall, and shall cause its respective Affiliates, to, use its reasonable best efforts to (i) take, or cause to be taken, all actions, and do, or cause to be done, and assist and cooperate with each other party in doing, all things necessary, proper or advisable to cause the conditions to Closing to be satisfied as promptly as reasonably practicable (including, without limitation, with respect to obtaining all applicable regulatory approvals and consents) and to consummate and make effective, in the most expeditious manner reasonably practicable, the Merger, including (A) using reasonable best efforts to prepare and file promptly and fully all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents and (B) using reasonable best efforts to execute and deliver any additional instruments necessary, proper or advisable to consummate the Transactions, (ii) obtain all Consents from any Governmental Authority or third party necessary, proper or advisable to consummate the Transactions (including any such Consents required with respect to the Company Insurance Approvals, the Parent Insurance Approvals and under applicable Antitrust Laws), including by providing (following a reasonable opportunity for consultation) to a Governmental Authority any information requested by such Governmental Authority in connection with such Consents, and (iii) take any and all steps that are necessary, proper or advisable to avoid each and every impediment under any applicable Law that may be asserted by, or Action that may be entered by, any Governmental Authority with respect to this Agreement or the Transactions, as promptly as practicable. In accordance with Section 10.12, each party shall bear its own costs and expenses for making its respective filings with, and obtaining its respective Consents from, Governmental Authorities.

(b) In furtherance and not in limitation of the foregoing, the Company and Parent shall each use its reasonable best efforts to (i) take all actions necessary to ensure that no Takeover Law is or becomes applicable to any of the Transactions or this Agreement and refrain from taking any actions that would cause the applicability of such Laws and (ii) if the restrictions of any Takeover Law become applicable to any of the Transactions, take all actions necessary to ensure that the Transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise lawfully minimize the effect of such Takeover Law on the Transactions.

(c) Without limiting the general applicability of Section 7.05(a), each of the Company and Parent shall, in consultation and cooperation with the other and as promptly as practicable and in no event later than 30 business days following the date of this Agreement, file (i) with the United States Federal Trade Commission and the Antitrust Division of the United States Department of Justice the notification and report form, if any, required under the HSR Act with respect to the Transactions, (ii) all appropriate documents, forms, filings or submissions required under any non-U.S. Antitrust Laws and (iii) with applicable Insurance Regulators, all documents, forms, filings or other submissions required under applicable Insurance Laws with respect to the Merger, or otherwise requested by domiciliary Insurance Regulators of any of the Company Insurance Subsidiaries (other than to the extent required, biographical affidavits, fingerprint cards and background checks, which shall follow as promptly as reasonably practicable thereafter), including as reasonably determined by Parent in consultation with the Company, "Form A" exemption requests or equivalent exemption requests where available; provided that Parent shall not submit a "Form A" exemption request or equivalent exemption request to an Insurance Regulator that has requested to receive a "Form A" Acquisition of Control Statement in connection with the Transactions. All such filings shall comply in all material respects with the requirements of applicable Law. Without limiting Parent's other obligations in this Section 7.05, Parent shall use its reasonable best efforts to direct (i) the Persons specified in Section 7.05(c) of the Parent Disclosure Letter to provide the Filing Person Information and (ii) the Persons specified in Section 7.05(c) of the Parent Disclosure Letter to provide the Disclaiming Person Information.

(d) Without limiting the general applicability of Section 7.05(a), the Company shall use its reasonable best efforts to cause the Broker-Dealer Subsidiary to file, promptly after the date hereof, the Rule 1017 Application with FINRA and shall use its reasonable best efforts to obtain FINRA's approval of such application. Parent will provide, as promptly as practicable following a request therefor, the Company, the Broker-Dealer Subsidiary, their counsel or FINRA, as applicable, with such information and documentation pertaining to Parent as are reasonably requested by the Company, its counsel or FINRA in order to prepare the Rule 1017 Application or obtain approval thereof.

(e) Each of the Company, Parent and Merger Sub shall consult with one another with respect to the obtaining of all Consents from any Governmental Authority necessary, proper or advisable to consummate the Transactions and each of the Company, Parent and Merger Sub shall keep the others reasonably apprised on a prompt basis of the status of matters relating to such Consents. The Company and Parent shall have the right to review in advance and, subject to any restrictions under applicable Law, each shall consult the other on, any filing made with, or written materials submitted to, any Governmental Authority in connection with the Transactions and each party agrees to in good faith consider and reasonably accept comments of each other party thereon. Parent and the Company shall promptly furnish to each other copies of all such filings and written materials after their filing or submission, in each case subject to applicable Laws. The Company and Parent shall promptly advise each other upon receiving any communication from any Governmental Authority with respect to any filing or Consent necessary, proper or advisable to consummate the Transactions, including promptly furnishing each other copies of all written or electronic communications from or with such Governmental Authorities, and shall promptly advise each other when any such communication causes such party to believe that there is a reasonable likelihood that any such Consent will not be obtained or that the receipt of any such Consent will be materially delayed or conditioned. The Company and Parent shall not, and shall cause their respective Affiliates not to, permit any of their respective Representatives to participate in any meeting or engage in any conversation (other than non-substantive or administrative telephone calls) with any Governmental Authority in respect of any filings, investigation or other inquiry relating to the Transactions unless it consults with the other in advance and, to the extent permitted by applicable Law and by such Governmental Authority, gives the other party the opportunity to attend and participate in such meeting or conversation. If any Governmental Authority requires that a hearing or meeting be held in connection with the Consent thereof or the Transactions, Parent shall use its reasonable best efforts to arrange for such hearing or meeting to be held as promptly as practicable after the notice that such hearing or meeting is required has been received by Parent, its Subsidiaries or any other Affiliates. Notwithstanding the foregoing, in no event will any party be required to disclose to any other party any Personal Information.

(f) Notwithstanding anything to the contrary set forth in this Agreement, Parent shall not be obligated by a Governmental Authority in connection with a Required Regulatory Approval to take or refrain from taking or to agree to it, its Subsidiaries or the Company or its Subsidiaries taking or refraining from taking any action (including any amendment, waiver or termination of any agreement, exhibit or schedule, including this Agreement and the Exhibits and Schedules to this Agreement) or to suffer to exist any limitation, action, restriction, condition or requirement which, individually or together with all other such limitations, actions, restrictions, conditions or requirements by a Governmental Authority in connection with a Required Regulatory Approval, would, or would reasonably be expected to, (i) impose any requirement on BN, BAM or any of their respective Affiliates to make, or commit to make, any capital contribution or enter into or issue any capital guarantee or keepwell, (ii) impose any requirement on Parent or any of its Subsidiaries to make, or commit to make, any material capital contribution or enter into or issue any material capital guarantee or material keepwell, (iii) impose any requirement on BN, BAM or any of their respective Affiliates to sell, license, assign, transfer, divest, hold separate or otherwise dispose of, before or after the Closing, any assets or businesses, (iv) impose any requirement on Parent or any of its Subsidiaries to sell, license, assign, transfer, divest, hold separate or otherwise dispose of, before or after the Closing, any material assets or material businesses, (v) impose any limitation, action, restriction, condition or requirement on any of BN, BAM or any of their respective Affiliates, investment funds, permanent capital vehicles, or other collective investment vehicles or portfolio companies of the foregoing, (vi) impose any limitation, action, restriction, condition or requirement on Parent or any of its Subsidiaries that is material and adverse to Parent and its Subsidiaries, taken as a whole, or (vii) impose any limitation, action, restriction, condition or requirement on the business or operations of Company or any of its Subsidiaries following the Closing that would constitute a Company Material Adverse Effect (each, a "Burdensome Condition"). Without the prior written consent of Parent, the Company shall not (and shall cause its Subsidiaries not to) take any action or agree to the taking or refraining from any action or accept any limitation, action, restriction, condition or requirement that, individually or in the aggregate, would, or would be reasonably expected to, result in a Burdensome Condition.

SECTION 7.06. Public Announcements. The Company and Parent shall agree on a press release announcing the entering into of this Agreement and the Transactions. Thereafter, the Company and Parent shall consult with each other before issuing any press release or otherwise making any public statements (including scheduling of a press conference or conference call with investors or analysts) with respect to this Agreement or any of the Transactions and shall not issue any such press release or make any such public statement without the prior consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that a party may, without the prior consent of the other party, issue such press release or make such public statement (a) as may be required by Law or order, the applicable rules and regulations of the NYSE or any listing agreement with the NYSE, but only if such party provides the other party an opportunity to first review the content of the proposed disclosure considers such other party's comments thereon in good faith, (b) with respect to any Adverse Recommendation Change made in accordance with this Agreement or (c) if such press release or public statement is not materially inconsistent in tone or substance with previous press releases or public statements made by such party in compliance with this Section 7.06.

SECTION 7.07. Access to Information; Confidentiality. Subject to applicable Law, upon reasonable notice, the Company shall afford to Parent and Parent's Representatives reasonable access during normal business hours to the Company's officers, employees, properties, books, Contracts and records, and the Company shall furnish to Parent and Parent's Representatives such information concerning its business, personnel, assets, liabilities and properties as Parent may reasonably request; provided that Parent and its Representatives shall conduct any such activities in such a manner as not to interfere unreasonably with the business or operations of the Company; provided, further, however, that the Company shall not be obligated to provide such access or information if the Company determines, in good faith and in its reasonable judgment, that doing so could violate applicable Law or a Contract or obligation of confidentiality owing to a third party, waive the protection of an attorney-client privilege or other legal privilege or expose the Company to risk of liability for disclosure of Personal Information. Without limiting the foregoing, in the event that the Company does not provide access or information in reliance on the immediately preceding sentence, it shall provide notice to Parent that it is withholding such access or information and shall use its reasonable best efforts to communicate, to the extent feasible, the applicable information in a way that would not violate the applicable Law, Contract or obligation, risk waiver of such privilege or expose the Company to such risk, including through the use of customary "clean room" or other similar procedures designed to limit the disclosure of competitively sensitive information. All requests for information made pursuant to this Section 7.07 shall be directed to the Person designated by the Company. Until the Closing, the information provided will be subject to the terms of the Confidentiality Agreement, dated as of June 2, 2023, by and between the Company and Parent (as may in the future be amended from time to time, the "Confidentiality Agreement"); provided that, prior to the Effective Time, nothing in this Section 7.07 shall limit any customary disclosures made by Parent or any of its Subsidiaries to the Debt Financing Sources, rating agencies, prospective Debt Financing Sources, underwriters, existing lenders (and related agents) or otherwise in connection with efforts or activities by Parent, any of its Subsidiaries or the Debt Financing Sources to obtain the Debt Financing, so long as such recipients agree to customary confidentiality arrangements (which may include customary "click through" confidentiality agreements and/or confidentially provisions contained in marketing materials used in connection with the Debt Financing).

SECTION 7.08. Indemnification and Insurance.

(a) From and after the Effective Time, the Surviving Company shall, and Parent shall cause the Surviving Company to, (i) indemnify and hold harmless each individual who at the Effective Time is, or at any time prior to the Effective Time was, a director or officer of the Company or of a Subsidiary of the Company (each, together with such Person's heirs, executors and administrators, an "Indemnitee") with respect to all claims, liabilities, losses, damages, judgments, fines, penalties, costs (including amounts paid in settlement or compromise) and expenses (including fees and expenses of legal counsel) in connection with any Action (whether civil, criminal, administrative or investigative), whenever asserted, based on or arising out of, in whole or in part, (A) the fact that an Indemnitee is or was a director or officer of the Company or such Subsidiary or (B) acts or omissions by an Indemnitee in the Indemnitee's capacity as a director, officer, employee or agent of the Company or such Subsidiary or taken at the request of the Company or such Subsidiary (including in connection with serving at the request of the Company or such Subsidiary as a director, officer, employee, agent, trustee or fiduciary of another Person (including any employee benefit plan)), in each case under clause (A) or (B), at, or at any time prior to, the Effective Time (including any Action relating in whole or in part to the Transactions or relating to the enforcement of this provision or any other indemnification or advancement right of any Indemnitee), to the fullest extent permitted under applicable Law and (ii) assume all obligations of the Company and such Subsidiaries to the Indemnitees in respect of indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time as provided in the Company Organizational Documents and the organizational documents of such Subsidiaries as in effect on the date of this Agreement or in any agreement in existence as of the date of this Agreement providing for indemnification between the Company or any of its Subsidiaries and any Indemnitee. Without limiting the foregoing, Parent, from and after the Effective Time, shall cause, to the fullest extent permitted under applicable Law, the articles of incorporation and bylaws of the Surviving Company to contain provisions no less favorable to the Indemnitees with respect to limitation of liabilities of directors and officers and indemnification than are set forth as of the date of this Agreement in the Company Organizational Documents, which provisions shall not be amended, repealed or otherwise modified in a manner that would adversely affect the rights thereunder of the Indemnitees. In addition, from the Effective Time, Parent shall cause the Surviving Company to advance the reasonable and documented expenses (including reasonable and documented fees and expenses of legal counsel) of any Indemnitee under this Section 7.08 (including in connection with enforcing the indemnity and other obligations referred to in this Section 7.08) as incurred to the fullest extent permitted under applicable Law; provided that the individual to whom expenses are advanced provides an undertaking to repay such advances if it shall be finally determined by a court of competent jurisdiction that such Person is not entitled to be indemnified pursuant to this Section 7.08(a).

(b) Neither Parent nor the Surviving Company shall settle, compromise or consent to the entry of any judgment in any threatened or actual Action, litigation, claim or proceeding relating to any acts or omissions covered under this Section 7.08 (each, a "Claim") for which indemnification has been sought by an Indemnitee hereunder, unless such settlement, compromise or consent includes an unconditional release of such Indemnitee from all liability arising out of such Claim or such Indemnitee otherwise consents in writing to such settlement, compromise or consent. Each of Parent, the Surviving Company and the Indemnitees shall cooperate in the defense of any Claim and shall provide access to properties and individuals as reasonably requested and furnish or cause to be furnished records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

(c) The Company may, prior to the Effective Time, purchase or, if not so purchased by the Company, Parent shall cause the Surviving Company to put in place effective as of the Effective Time, and Parent or the Company, as applicable, shall fully prepay no later than immediately prior to the Closing, prepaid and non-cancellable "tail" insurance with a claims reporting or discovery period of six years from the Effective Time on terms and conditions providing at least equivalent benefits and coverage as the directors' and officers' liability, employment practices liability and fiduciary liability insurance of the Company and its Subsidiaries in effect as of the Effective Time ("Current D&O Insurance") with respect to matters existing or occurring at or prior to the Effective Time, including the Transactions, and Parent shall cause such policy to be maintained in full force and effect without amendment to any of the policies' terms and conditions, for their full term, and to honor all of the Surviving Company's obligations thereunder; provided, however, that Parent may elect in its sole discretion, but shall not be required, to spend (or cause the Surviving Company to spend) more than 350% of the Current D&O Insurance annual premium (the "Cap Amount") with respect to the annual premium for the six years of coverage under such "tail" policies; provided, further, that if the cost of such insurance exceeds the Cap Amount, and Parent elects not to spend more than the Cap Amount for such purpose, then Parent shall purchase and obtain insurance with the greatest coverage available for a cost equal to such Cap Amount. If such "tail" insurance has been obtained by the Company, it shall be deemed to satisfy all obligations to obtain insurance pursuant to this Section 7.08(c), and Parent shall cause the Surviving Company to cause such "tail" insurance to be maintained in full force and effect without amendment to any of the policies' terms and conditions, for their full term, and to honor all of the Surviving Company's obligations thereunder.

(d) The provisions of this Section 7.08 are (i) intended to be for the benefit of, and shall be enforceable by, each Indemnitee and his or her heirs and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such individual may have under the Company Organizational Documents, by contract or otherwise.

(e) In the event that Parent, the Surviving Company or any of their respective successors or assigns (i) consolidates or amalgamates with or merges into any other Person and is not the continuing or surviving company or entity of such consolidation, amalgamation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Parent or the Surviving Company shall assume all of the obligations thereof set forth in this Section 7.08.

(f) Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company or any of its Subsidiaries for any of their respective directors, officers or other employees, it being understood and agreed that the indemnification provided for in this Section 7.08 is not prior to or in substitution for any such claims under such policies.

SECTION 7.09. Rule 16b-3. Prior to the Effective Time, the Company shall take such steps as may be reasonably necessary or advisable to cause any dispositions of Company equity securities (including derivative securities) resulting from the Transactions by each individual who is a director or officer of the Company subject to the reporting requirements of Section 16 of the Exchange Act (or who will become subject to the reporting requirements of Section 16 of the Exchange Act as a result of the Transactions) to be exempt under Rule 16b-3 promulgated under the Exchange Act.

SECTION 7.10. Employee Matters.

(a) For a period of one year following the Effective Time (or such longer period required by applicable Law), Parent shall provide, or shall cause the Surviving Company to provide, each individual who is employed by the Company or any of its Subsidiaries immediately prior to the Effective Time (each, a "Company Employee") and continues to be employed with the Company and its Subsidiaries with (i) an annual base salary or annualized wage rate (as applicable) that is no less than the annual base salary or annualized wage rate (as applicable) provided to such Company Employee by the Company and any of its Subsidiaries immediately prior to the Effective Time, (ii) target short-term cash incentive opportunities that are no less favorable than those provided to such Company Employee by the Company and any of its Subsidiaries immediately prior to the Effective Time, (iii) target long-term incentive opportunities (including deferred cash and equity and equity-based incentive opportunities, but excluding any change in control and retention or other non-recurring compensation) that are no less favorable than the target long-term incentive opportunities (including deferred cash and equity and equity-based incentive opportunities) provided to such Company Employee by the Company and any of its Subsidiaries immediately prior to the Effective Time; subject to the conditions set forth in Item 1 of Section 7.10(a) of the Company Disclosure Letter; (iv) compensation and benefits provided in connection with the Company ESOP no less than the compensation and benefits provided in connection with the Company ESOP to such Company Employee by the Company and any of its Subsidiaries immediately prior to the Effective Time; provided, however that the foregoing clause (iv) may be satisfied by (A) contributions to other defined contribution plans, (B) equity or equity-based awards or (C) cash payments, and (v) other employee benefits (excluding non-qualified deferred compensation, defined benefit pension, post-employment health and welfare benefits and change in control, retention or other non-recurring compensation and benefits) that are substantially comparable in the aggregate to those provided to such Company Employee by the Company and any of its Subsidiaries immediately prior to the Effective Time.

(b) For a period of one year following the Effective Time, Parent shall honor and provide, or shall cause the Surviving Company to honor and provide, for each Company Employee (except as provided otherwise in Section 7.01(a)(vi) of the Company Disclosure Letter), severance and termination benefits in an amount equal to the severance and termination benefits that would have been provided to such Company Employee under the Transition Benefit Plan as in effect immediately prior to the Effective Time if such Company Employee experiences a termination of employment pursuant to which severance would be owed from the Company under such plan if the termination of employment had occurred immediately prior to the Effective Time (but including, for the avoidance of doubt, any changes to such benefits as a result of credit for such Company Employee’s service with Parent and its Subsidiaries in accordance with Section 7.10(d) or any increases in a Company Employee’s base salary or annualized wage rate or cash incentive bonus opportunities (excluding, for the avoidance of doubt, long-term incentives (including equity and equity-based incentive opportunities) during the one year following the Effective Time)).

(c) With respect to the employee benefit plans maintained by Parent or its Subsidiaries (including, following the Closing, the Surviving Company and its Subsidiaries and Affiliates) in which the Company Employee is eligible to participate on or following the Effective Time (including any paid time off and severance plans) and subject to applicable Law, for purposes of determining eligibility to participate, level of benefits and vesting, the Surviving Company shall cause each Company Employee’s service with the Company or any of its Subsidiaries (as well as service with any predecessor employer of the Company or any such Subsidiary, to the extent service with the predecessor employer was recognized by the Company or such Subsidiary) to be treated as service with the Surviving Company or any of its Subsidiaries or its Affiliates; provided, however, that such service need not be recognized (i) for benefit accruals under any defined benefit pension plan, (ii) for purposes of any post-employment welfare benefit plan or (iii) to the extent that such recognition would result in any duplication of benefits.

(d) Parent shall, or shall cause the Surviving Company to use commercially reasonable efforts to, (i) waive, or cause to be waived, any pre-existing condition limitations and exclusions and (ii) waive, or cause to be waived, any actively-at-work requirements and waiting periods, in each case, under any welfare benefit plan maintained by Parent (including, following the Closing, the Surviving Company or any of its Subsidiaries or Affiliates) in which Company Employees (and their eligible dependents) will be eligible to participate from and after the Effective Time, except to the extent that such pre-existing condition limitations, exclusions, actively-at-work requirements and waiting periods would not have been satisfied or waived under the comparable Company Plan immediately prior to the Effective Time. Parent shall, or shall cause the Surviving Company or any of its Affiliates to, use commercially reasonable efforts to recognize the dollar amount of all co-payments, deductibles and out-of-pocket expenses incurred by each Company Employee (and his or her eligible dependents) during the calendar year in which the Effective Time occurs for purposes of satisfying such year's deductible and co-payment limitations under the relevant welfare benefit plans in which they will be eligible to participate from and after the Effective Time.

(e) The parties agree that the consummation of the Transactions shall constitute a "change in control," "change of control" or term of similar import under each applicable Company Plan; provided that, for purposes of any such plans that provide for deferred compensation within the meaning of Section 409A of the Code, the foregoing shall not accelerate the time of payment or distribution of any such deferred compensation (but shall accelerate vesting if provided for in accordance with the terms thereof) if the transactions contemplated by this Agreement do not otherwise constitute a "change in control," "change of control" or term of similar import under the applicable plan and to so declare as a "change in control," "change of control" or term of similar import would result in an impermissible payment or distribution for purposes of Section 409A of the Code.

(f) Prior to making any broad-based written communications to the directors, officers or employees of the Company or any of its Subsidiaries pertaining to any compensation or benefit matters related to the Transactions or any other matter contemplated hereunder, whether relating to employment, employee benefits, including Company Plans, and post-Closing terms of employment or otherwise, the Company shall consult with Parent and consider Parent's comments to such communication in good faith.

(g) No later than 15 business days following the date of this Agreement, the Company shall deliver to Parent a complete and correct list of each Company Employee, as of the date of this Agreement including, with respect to each such individual, the following information, as applicable: (i) name (or other unique identifier), (ii) job title, (iii) date of hire and work location (city and state, if applicable),

(iv) exempt or non-exempt classification status under the Fair Labor Standards Act, (v) leave of absence status and anticipated date of return, if known, (vi) annual base salary or annualized base wage rate (as applicable), (vii) annual target short-term incentive or bonus compensation opportunities for the current fiscal year (on a plan-by-plan basis) and (viii) target long-term incentive compensation opportunities (on a plan-by-plan basis) (the "Company Employee List"). The Company shall deliver to Parent an updated Company Employee List no later than five (5) days prior to the Effective Time to reflect any changes in accrued but unused vacation, terminations and new hires and reallocations not in violation of this Agreement or as otherwise consented to by Parent.

(h) No later than 15 business days following the date of this Agreement, the Company shall deliver to Parent a complete and accurate list of each outstanding Company Award, including: (i) on an employee-by-employee basis, the name (or other unique identifier) of the holder of such outstanding Company Award; (ii) on an award-by-award basis, the number of Common Stock subject to or underlying such outstanding Company Award (with the number of Common Stock underlying Performance-Vesting Company Options and Company PSUs, in each case, reported assuming each such Company Award's target level of performance); and (iii) the date on which such outstanding Company Award was granted or issued.

(i) If requested by Parent in writing no later than 10 business days prior to the Effective Time, with respect to the Company 401(k) Plan, the Company Board (or, if appropriate, any committee thereof administering such Company 401(k) Plan) shall adopt such resolutions or take such other actions as may be required to terminate, effective at least one day prior to the Effective Time, such Company 401(k) Plan. Prior to the Effective Time, the Company shall provide Parent with executed resolutions of the Company Board (or the appropriate committee thereof) authorizing such termination. As soon as practicable after the Effective Time, the Company shall cause, to the extent permitted by Section 401(k)(10) of the Code, the Company 401(k) Plan administrator to make distributions available to the Company 401(k) Plan participants. In connection with any termination of the Company 401(k) Plan, Parent shall permit each Company Employee who is a participant in the Company 401(k) Plan to (i) become a participant in a 401(k) plan of Parent that is an "eligible retirement plan" (within the meaning of Section 401(a)(31) of the Code) (the "Parent 401(k) Plan") immediately after the Effective Time and (ii) to make rollover contributions of "eligible rollover distributions" (within the meaning of Section 401(a)(31) of the Code, including all participant loans) in cash or notes (in the case of participant loans) in an amount equal to the eligible rollover distribution portion of the account balance distributed to each such Company Employee from the Company 401(k) Plan to the Parent 401(k) Plan effective as of the Closing Date.

(j) To the extent permitted by applicable Law, the Trustee and the Company shall take or cause to be taken all such actions as may be necessary to effect the actions set forth below relating to the Company ESOP prior to or simultaneous with the Closing, as applicable: (i) effective at least five business days prior to the Closing (with relevant materials provided to Parent for its review and comment at least three business days prior to such date), the Company ESOP shall be terminated (the "ESOP Termination

Date"), no new participants shall be admitted on or after the ESOP Termination Date, no further distributions in the form of "qualifying employer securities" (as defined in Section 407 of ERISA) will be permitted and all existing Company ESOP participants' accounts shall be fully vested and 100% non-forfeitable, (ii) the Company shall cause the Company ESOP's plan administrator to direct the Trustee to remit a sufficient number of Common Stock to the Company to repay the outstanding ESOP Loan in full, and the proceeds of the sale of such Common Stock shall be used to repay the outstanding balance of the ESOP Loan as of the Effective Time, with each remitted share of Common Stock to be valued equal to the Merger Consideration, (iii) all remaining Common Stock held by the Company ESOP as of the Effective Time shall be exchanged for the Merger Consideration within the Company ESOP in accordance with Section 3.01(a) and (iv) promptly, after the execution of this Agreement, the Company will take such actions as may be necessary to request a favorable determination letter with respect to the Company ESOP's termination. No benefit distributions shall be made from the Company ESOP without the prior written consent of Parent before the IRS issues a favorable determination letter with respect to the tax-qualified status of the Company ESOP on termination, except that distributions from the Company ESOP may be made earlier if required by Law or upon the occurrence of the Company ESOP participant's retirement, death, disability or termination of employment or any other event, other than plan termination, that requires a distribution from the Company ESOP. The Company also shall take such other actions in furtherance of terminating the Company ESOP as Parent may reasonably request prior to the Closing, including the adoption of amendments to the Company ESOP. Notwithstanding the foregoing, the Company will continue to make regularly scheduled payments on the ESOP Loan and related share allocations through the ESOP Termination Date.

(k) The provisions of this Section 7.10 are solely for the benefit of the parties to this Agreement. Nothing in this Agreement shall be construed to confer on any Person, other than the parties, their successors and permitted assigns, any right to enforce the provisions of this Section 7.10 or be construed as an amendment, or waiver of any provision, of any Company Plan or any employee benefit plan maintained by the Company, Parent or their respective Affiliates, or the establishment or adoption of or an amendment to any employee benefit plan for purposes of ERISA or otherwise. In addition, nothing expressed or implied in this Section 7.10 shall confer upon any of the employees of the Company, Parent or their respective Subsidiaries or any other Person any additional rights or remedies, including any additional right to employment, or continued employment for any specified period, of any nature or kind whatsoever under or by reason of this Agreement, and nothing in this Agreement shall prevent Parent, the Surviving Company or any of their Affiliates from, after the Effective Time, (i) amending or terminating any of their benefit plans in accordance with their terms or (ii) terminating the employment of any Company Employee.

SECTION 7.11. Notification of Certain Matters; Shareholder Litigation. During the period from the date of this Agreement through the earlier of the Closing or the termination of this Agreement in accordance with its terms, Parent shall give prompt notice to the Company, and the Company shall give prompt notice to Parent, of any Actions commenced or, to such party's Knowledge, threatened against such party which relate to this Agreement or the Transactions. Each party shall provide the other with any pleadings and correspondence relating to any Actions involving it, any of its officers or directors or any other of its Representatives relating to this Agreement or the Transactions and will keep the other reasonably and promptly informed regarding the status of any Actions. Subject to applicable Law, each party shall give the other party the opportunity to participate, at such other party's sole cost and expense, in the defense and settlement of any litigation by any shareholder of either party against either party or its directors relating to this Agreement or the Transactions, and no such settlement shall be agreed to without such other party's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed). Without limiting the preceding sentence, each party shall give the other party the right to review and comment on all filings or responses to be made by it in connection with any such Actions, and it will in good faith take such comments into account; provided, however, that such party shall not be obligated to provide such access or information if such party determines, in good faith and in its reasonable judgment, that doing so could waive the protection of an attorney-client privilege or other legal privilege; provided, further, that such party shall use its reasonable best efforts to provide such access or information in a manner that would not risk waiver of such privilege.

SECTION 7.12. Merger Sub Shareholder Approval. Immediately following the execution of this Agreement, Parent shall cause Arches Acquisition Holdco II Inc. to execute and deliver, in accordance with applicable Law and in its capacity as the sole shareholder of Merger Sub, a written consent approving the Merger and this Agreement (the "Merger Sub Shareholder Approval").

SECTION 7.13. Stock Exchange De-listing. The Company and Parent shall cooperate and shall use their respective reasonable best efforts to take, or cause to be taken, all actions, and to do or cause to be done all things, necessary, proper or advisable under applicable Laws and the rules and policies of the NYSE and the SEC to cause the Common Stock to be de-listed from the NYSE and de-registered under the Exchange Act as soon as reasonably practicable following the Effective Time in compliance with applicable Law. In connection therewith, Parent shall (a) reasonably assist in enabling the Company or NYSE to be in a position to promptly file and cause the Surviving Company or NYSE to file with the SEC a Form 25 on the Closing Date and (b) use reasonable best efforts to cause the Surviving Company to file a Form 15 on the first business day that is at least ten days after the date the Form 25 is filed.

SECTION 7.14. Continued Listing of Depositary Shares. From and after the Effective Time, Parent shall cause the Surviving Company to continue to cause the Depositary Shares to be listed on the NYSE in accordance with the terms of certificate of designations establishing the Series A Preferred Stock and Series B Preferred Stock, as applicable, as set forth in Section 3.01(f).

SECTION 7.15. Notices of Certain Events.

From the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with the terms of Article IX;

(a) each of the Company and Parent shall promptly notify the other party of:

(i) any written notice or other written communication received by the notifying party or any of its Affiliates or Representatives from any Person alleging that the consent of such Person is or may be required in connection with the Transactions; and

(ii) any Actions (A) commenced or (B) to its Knowledge, threatened against such party or any of its Subsidiaries that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.07 (in the event that the Company is the notifying party) or Section 5.09 (in the event that Parent is the notifying party);

(b) the Company shall give prompt written notice to Parent of any change, circumstance, condition, development, effect, event or occurrence that has had or would reasonably be expected to have a Company Material Adverse Effect, or would reasonably be expected to make the satisfaction of any of the conditions in Section 8.02 impossible or unlikely;

(c) Parent shall give prompt written notice to the Company of any change, circumstance, condition, development, effect, event or occurrence that has had or would reasonably be expected to have a Parent Material Adverse Effect, or would reasonably be expected to make the satisfaction of any of the conditions in Section 8.03(a) or Section 8.03(b) impossible or unlikely; and

(d) BAM shall give prompt written notice to the Company of any change, circumstance, condition, development, effect, event or occurrence that has had or would reasonably be expected to have a BAM Material Adverse Effect, or would reasonably be expected to make the satisfaction of any of the conditions in Section 8.03(c) or Section 8.03(d) impossible or unlikely;

provided, however, that no such notification required by clause (a), (b), (c) or (d) above (and no other notification required to be given under any other Section of this Agreement) shall affect the representations, warranties, covenants or agreements of any party or the conditions to the obligations of any party under this Agreement.

SECTION 7.16. Investment Assets. The Company shall, or shall cause its applicable Subsidiaries to, deliver to Parent, within 15 business days following the end of each calendar month, starting with the first delivery to occur within 15 business days following the end of August 2023, a summary report of (a) all Investment Assets (other than real estate) owned by the Company or any of its Subsidiaries as of such month end, and if available, the market value thereof as of such month end, (b) all Investment Assets that are real estate owned by the Company or any of its Subsidiaries as of such month end and the carrying values thereof as of such month end as determined on a basis consistent with the Company's current practices with respect to its real estate (and, if there has been any third-party appraisal or report completed and delivered to the Company during such month that speaks to the value of any particular real estate property, such information will be included in the report for that month), (c) all Investment Assets sold or otherwise disposed of during the preceding month, (d) all Investment Assets purchased by the Company or any of its Subsidiaries during the preceding month and (e) all Investment Assets that are in arrears or breach or default in the payment of principal or interest or dividends or are, or should be, classified as non-performing, non-accrual, 90 days past due, still accruing and doubtful of collection, in foreclosure or any comparable classification, or are permanently impaired to any extent. From and after the date hereof until the Closing, subject to applicable Law, the Company shall cause the applicable employees having primary responsibility for Investment Assets to consult with Representatives of Parent on all investment-related matters, including future planned or potential sales and purchases of Investment Assets and the treatment of any impaired or potentially impaired Investment Assets, and the Company shall consider in good faith the recommendations of Representatives of Parent in making investment decisions from and after the date of this Agreement, provided that any such investment decisions shall be determined by the Company acting reasonably and in good faith.

SECTION 7.17. Financing.

(a) Prior to the Closing, the Company shall use commercially reasonable efforts, and shall cause its Subsidiaries and its and their respective Representatives to use commercially reasonable efforts, to provide such assistance in connection with any Debt Financing as may be reasonably requested by Parent; provided that the Company shall in no event be required to provide (or cause its Subsidiaries or its or their Representatives to provide) such assistance that shall unreasonably interfere with its or its Subsidiaries' business operations. For the avoidance of doubt, obtaining the Debt Financing shall not be a condition to Closing. If reasonably requested in writing by Parent, such assistance shall include, with reasonable prior notice and at Parent's sole cost and expense:

(i) furnishing to (A) Parent and any Debt Financing Source such customary and reasonably requested financial information and other pertinent information regarding the Company and its Subsidiaries as promptly as reasonably practicable following the reasonable request therefor by Parent or by any Debt Financing Source and (B) Parent such other historical financial information reasonably necessary to enable Parent to prepare pro forma financial information (provided that the Company and its Subsidiaries shall not have any obligation to prepare such pro forma financial information);

(ii) providing reasonable assistance to Parent in its preparation of (A) customary rating agency presentations and (B) bank books and confidential information memoranda, lender presentation materials and similar documents customary for any Debt Financing (including (1) a "private" supplement to any such materials and (2) customary representation and authorization letters with respect thereto (it being understood that the Company shall not be required to make any representations with respect to projections contained in any such materials or other forward looking information));

(iii) facilitating the execution and delivery at the Closing of customary definitive financing documents (including any schedules or exhibits thereto), including by requesting that the appropriate officers of the Company and its Subsidiaries that will continue in their positions after the Closing be available upon reasonable notice to Parent and its counsel to sign such documents, including customary officer's certificates and secretary's certificates (in each case to be held in escrow pending the Closing), in anticipation of the Closing; provided, however, that no obligation of the Company under any such document, and no such certificate, shall be effective until the Closing (other than any representation and authorization letters referred to in clause (ii) above and any prepayment notices referred to in clause (vi) below required by the Payoff Indebtedness);

(iv) cooperating with Parent to satisfy the conditions precedent to the Debt Financing at the Closing to the extent within the control of the Company;

(v) providing at least three business days prior to the Closing all documentation and other information about the Company and its Subsidiaries as is reasonably requested by Parent or any Debt Financing Sources at least ten business days prior to the Closing Date with respect to applicable "beneficial ownership", "know your customer" and anti-money laundering rules and regulations, including the Patriot Act and 31 C.F.R. § 1010.230; and

(vi) providing reasonable cooperation in connection with the termination and pay-off of any Payoff Indebtedness, including, as applicable, delivering prepayment notices (if such notices may be conditioned on the consummation of the Closing) and the Payoff Letters.

(b) Parent shall indemnify, defend and hold harmless the Company and each of its Subsidiaries and each of their respective officers, directors, managers, employees or other Representatives from and against any and all claims, losses, liabilities, damages, out-of-pocket costs or expenses (including reasonable attorneys' fees), judgments, fines or amounts paid in settlement that are incurred, directly or indirectly, in connection with the Debt Financing and the Credit Agreement Amendments and any cooperation provided pursuant to Section 7.17(a) and (c). Parent shall promptly reimburse the Company for all reasonable and documented out-of-pocket costs (including reasonable attorneys' fees) incurred by the Company or any of its Subsidiaries and each of their respective officers, directors, managers, employees or other Representatives in connection with the Debt Financing and any cooperation provided pursuant to Section 7.17(a).

(c) The Company shall use commercially reasonable efforts to, and shall cause its Subsidiaries and its and their respective Representatives to use commercially reasonable efforts to, cooperate with Parent in connection with the efforts of Parent to obtain, as soon as reasonably practicable after the date hereof, waivers of, or amendments to, change of control or other provisions in the Credit Agreement (the "Credit Agreement Amendments"), on such terms and conditions as specified and reasonably requested by Parent subject to the consent of the Company (not to be unreasonably withheld, conditioned or delayed), in each case in accordance with the terms of the Credit Agreement; provided that the Company shall in no event be required to provide (or cause its Subsidiaries or its or their Representatives to provide) such assistance that shall unreasonably interfere with its or its Subsidiaries' business operations. For the avoidance of doubt, obtaining any Credit Agreement Amendment shall not be a condition to Closing. If reasonably requested in writing by Parent, with reasonable prior notice and at Parent's sole cost and expense, such assistance shall include:

(i) furnishing to Parent and the parties to the Credit Agreement such customary and reasonably requested financial information and other pertinent information regarding the Company and its Subsidiaries as promptly as reasonably practicable following the reasonable request therefor by Parent or by any such party;

(ii) providing reasonable assistance to Parent in its preparation of bank books and confidential information memoranda, lender presentation materials and similar documents customary for any Credit Agreement Amendment (including (1) a "private" supplement to any such materials and (2) customary representation and authorization letters with respect thereto (it being understood that the Company shall not be required to make any representations with respect to projections or other forward looking information contained in any such materials));

(iii) facilitating the execution and delivery of any Credit Agreement Amendment (including any schedules or exhibits thereto) (it being understood that the effectiveness of such Credit Agreement Amendment may occur prior to the Closing Date, but any waivers and amendments set forth therein shall be conditioned upon the consummation of the Closing), including by requesting that the appropriate officers of the Company and its Subsidiaries be available upon reasonable notice to Parent and its counsel to sign such Credit Agreement Amendment and any customary officer's certificates and secretary's certificates related thereto; and

(iv) cooperating with Parent to satisfy the conditions precedent to the effectiveness of any Credit Agreement Amendment to the extent within the control of the Company.

For the avoidance of doubt, any cooperation provided for in this clause (c) shall be subject to the indemnification and expense reimbursement provisions in clause (b) above and the other limitations set forth in clause (d) below, and nothing in this clause (c) shall require the Company to pay (or agree to pay) any fee or other amount prior to the Closing (and any such fee or other amount payable at Closing shall only be payable with funds provided by or on behalf of Parent) or to incur any liability that is not indemnifiable or reimbursable pursuant to clause (b).

(d) Notwithstanding anything else in this Section 7.17, (A) none of the Company or any of its Subsidiaries or any of their respective officers, directors, managers, employees or other Representatives shall be required to (x) pay (or agree to pay) any commitment or other fee, pay any expense, provide any indemnities or incur any liability in connection with any Debt Financing prior to the Closing Date (and any such fees or other expenses payable at Closing shall only be payable with funds provided by or on behalf of Parent) or (y) pay (or agree to pay) any fee or other amount in connection with the Credit Agreement Amendment prior to the Closing (and any such fee or other amount payable at Closing shall only be payable with funds provided by or on behalf of Parent) or to incur any liability in connection with the Credit Agreement Amendment that is not indemnifiable or reimbursable pursuant to clause (b), (B) nothing in this Section 7.17 shall require any director, manager, officer or other Representative of the Company or any of its Subsidiaries to execute or deliver any document or instrument (1) if such Person believes in good faith that any representation, warranty or certification contained therein is not true or (2) if such Person believes in good faith that execution or delivery of such document or instrument would reasonably be expected to result in personal liability, (C) none of the Company, any of its Subsidiaries or any of their respective officers, directors, managers, employees or other Representatives shall be required to take any action that would reasonably be expected to unreasonably interfere with the operation of their respective businesses, (D) none of the Company, any of its Subsidiaries or any of their respective officers, directors, managers, employees or other Representatives shall be required to disclose any information that is legally privileged, (E) none of the Company, any of its Subsidiaries or any of their respective officers, directors, managers, employees or other Representatives shall be required to take any action or provide any information to the extent it would or could reasonably be expected to conflict with, or result in any violation of or default under, any Law, organizational documents, material Contract, or confidentiality obligation applicable to such Person, (F) neither the Company nor any of its Affiliates will be required to make any filings with the SEC in connection with any Debt Financing, (G) none of the Company or any of its Subsidiaries or any of their respective officers, directors, managers, employees or other Representatives shall be required to execute, deliver or enter into, or perform any document in connection with the Debt Financing that is contemplated to be effective prior to the Closing (and any such execution, delivery or performance at Closing shall be performed by such officers, directors, managers, employees or other Representatives as constituted after the Effective Time and Closing) (other than any representation and authorization letters referred to in Section 7.17(a)(ii) above and any prepayment notices referred to in Section 7.17(a)(vi) above required by the Payoff Indebtedness), (H) none of the board of directors (or other similar governing body) or committee or subcommittee thereof of the Company or any of its Subsidiaries shall be required to adopt resolutions approving the Debt Financing and the documentation relating thereto that are contemplated to be effective prior to the Closing (and any such adoption or approval at Closing shall be performed by such board of directors (or other similar governing body) or committee or subcommittee thereof as constituted after the Effective Time and Closing), (I) none of the Company, any of its Subsidiaries or any of their respective officers, directors, managers, employees or other Representatives shall be required to take any action or provide any information to the extent it would or could reasonably be expected to (w) require the Company or any of its Subsidiaries to waive or amend the terms of this Agreement or result in a breach of this Agreement or a failure of any condition to Closing set forth in this Agreement, (x) constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of the Company or such Subsidiary or to a loss of any benefit to which the Company or such Subsidiary is entitled under any provision of any material Contract, (y) result in the creation or imposition of any Lien on any asset of the Company or such Subsidiary (except any Lien on any of the Company's or such Subsidiary's respective assets that becomes effective only upon the Closing), or (z) result in the Company's or any of its Affiliates' directors, managers, officers, general or limited partners, employees, counsel, financial advisors, auditors, agents and other authorized Representatives incurring any personal liability with respect to any matters relating to any financing. The Company hereby consents to the use of the trademarks, trade names and logos of the Company and its Subsidiaries by Parent and any Debt Financing Sources, in each case, only as reasonably required in connection with any Debt Financing; provided that Parent shall ensure that any such trademarks, trade names and logos are used by the above permitted parties solely in a manner that is not intended, or that is not reasonably likely, to harm, disparage or otherwise adversely affect the Company's reputation or goodwill. To the extent identifying the Company or any of its Subsidiaries by name, the Company shall have the right to review and comment on marketing materials used in connection with the arrangement of any Debt Financing prior to the dissemination of such materials to potential Debt Financing Sources or other counterparties to any proposed financing transaction. Any information with respect to the prospects and projections for the Company and its Subsidiaries in connection with any Debt Financing will be the sole responsibility of Parent, and neither the Company nor any of its Affiliates nor any of their respective officers, directors, managers, employees or other Representatives shall have any liability or incur any damages with respect thereto or be required to provide any projections or information or make any presentations with respect to capital structure, or the incurrence of any or other pro forma information relating thereto or the manner in which Parent intends to operate, or cause to be operated, the Company and its Subsidiaries after the Closing. The Company and its Subsidiaries shall not be required to deliver, or cause to be delivered, any legal opinions in connection with the Debt Financing or the Credit Agreement Amendment.

SECTION 7.18. Payoff Letters. The Company shall, and shall cause its applicable Subsidiaries to, use commercially reasonable efforts to deliver to Parent, on or prior to the Closing Date, duly executed payoff and release letters in respect of all Payoff Indebtedness (such letters, the "Payoff Letters"), in form and substance reasonably satisfactory to Parent, providing for the satisfaction and discharge of all obligations of the Company and its Subsidiaries in respect of all such Payoff Indebtedness (other than contingent obligations for which no claim has been made), effective upon the payment of the amounts set forth in such Payoff Letters (such amounts, the "Payoff Amount"). Parent shall on behalf of the Company irrevocably pay off or cause to be paid off at or prior to the Effective Time the Payoff Amount and cooperate as may be reasonably requested by the Company to assist the Company in connection with its obligation under this Section 7.18.

SECTION 7.19. Pre-Closing Actions.

(a) Within five business days from the date hereof, the Company shall make available to Parent true, complete and correct copies of the organizational documents of each of the Company's Subsidiaries set forth in Section 7.19(a) of the Company Disclosure Letter, in each case as amended and in effect as of the date so provided.

(b) Prior to the Closing, the Company and Parent shall, and shall cause each applicable Affiliate to, cause the actions contemplated by Section 7.19(b) of the Parent Disclosure Letter to occur at the times and in the manner specified therein. To the extent such actions would require an approval or non-disapproval by and Insurance Regulator, the applicable filing shall indicate that approval or non-disapproval of such action is not a condition to the Closing.

SECTION 7.20. Stock Exchange Listing. BAM shall use its reasonable best efforts to cause the BAM Class A Stock to be delivered as Stock Consideration to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Effective Time. BAM shall use its reasonable best efforts to obtain conditional approval for the listing and posting for trading on the TSX of the BAM Class A Stock to be delivered as Stock Consideration, subject only to satisfaction of the customary listing conditions of the TSX.

ARTICLE VIII

CONDITIONS PRECEDENT

SECTION 8.01. Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of the Company, Parent, Merger Sub and BAM to effect the Merger shall be subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following conditions:

(a) Required Shareholder Approval. The Required Shareholder Approval shall have been obtained.

(b) Listing. The shares of BAM Class A Stock constituting the Stock Consideration shall have been approved for listing on the NYSE, subject to official notice of issuance, and conditionally approved for listing on the TSX, subject to the satisfaction of customary listing conditions of the TSX.

(c) Other Approvals. (i) Any waiting period (or extension thereof) applicable to the Transactions under the HSR Act shall have been terminated or shall have expired, (ii) the Consents of, or declarations, notifications or filings with, and the other terminations or expirations of waiting periods required from, the Governmental Authorities set forth in Section 8.01(c) of the Company Disclosure Letter shall have been filed, have occurred or been obtained (collectively, the "Required Regulatory Approvals") and shall be in full force and effect and (iii) any timing agreement(s) with a Governmental Authority applicable to the consummation of the Transactions shall have expired or otherwise not prohibit consummation of the Transactions.

(d) No Injunctions or Restraints. No injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any Governmental Authority of competent jurisdiction (collectively, "Restraints") shall be in effect enjoining, restraining or otherwise making illegal, preventing or prohibiting consummation of the Transactions.

(e) Form F-4. The Form F-4 shall have been declared effective under the Securities Act and shall not be the subject of any stop order suspending the effectiveness of such registration statement or initiated or threatened proceedings seeking such a stop order.

SECTION 8.02. Conditions to Obligations of Parent, Merger Sub and BAM. The obligations of Parent, Merger Sub and BAM to effect the Merger are further subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties of the Company. The representations and warranties of the Company (i) set forth in Section 4.02(a) and clause (ii) of Section 4.06 shall be true and correct in all respects (except for *de minimis* inaccuracies) as of the date of this Agreement and as of the Closing Date as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), (ii) set forth in Sections 4.02(b), 4.03(a), 4.03(b), 4.03(d) and 4.25 shall be true and correct in all material respects (without regard to any materiality qualifiers specified therein) as of the date of this Agreement and as of the Closing Date with the same effect as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date) and (iii) set forth in this Agreement, other than those Sections specifically identified in clauses (i) or (ii) of this Section 8.02(a), shall be true and correct (disregarding all qualifications or limitations as to "materiality," "Company Material Adverse Effect" and words of similar import set forth therein, other than Section 4.15(a) and any use of the defined term "Material Contract") as of the date of this Agreement and as of the Closing Date with the same effect as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), except, in the case of this clause (iii), where the failure to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Parent shall have received a certificate signed on behalf of the Company by an executive officer of the Company to such effect.

(b) Obligations and Agreements of the Company. The Company shall have performed or complied in all material respects with the obligations and agreements required to be performed or complied with by it under this Agreement at or prior to the Closing. Parent shall have received a certificate signed on behalf of the Company by an executive officer of the Company to such effect.

(c) Company Material Adverse Effect. Since the date hereof, no Company Material Adverse Effect shall have occurred.

(d) Burdensome Condition. No Burdensome Condition shall have been imposed.

(e) FINRA Approval. FINRA's approval of the Rule 1017 Application, provided, that Parent may, in its sole discretion and upon written notice to the Company, waive the receipt of FINRA's approval of the Rule 1017 Application as a condition upon which the obligations of any party to effect the Merger shall be subject, but Parent shall only have the right to exercise such waiver option in the circumstance where: (A) the passing of 12:01 am New York time on the thirty-first (31st) calendar day following the date on which FINRA accepts as "substantially complete" the Rule 1017 Application, and (B) FINRA has not provided notice to the Broker-Dealer Subsidiary expressly stating that the Closing may not occur until FINRA approves the Rule 1017 Application (or if FINRA has provided such notice to Broker-Dealer Subsidiary, such notice has been withdrawn).

SECTION 8.03. Conditions to Obligations of the Company. The obligations of the Company to effect the Merger are further subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties of the Parent Entities. The representations and warranties of Parent and Merger Sub (i) set forth in Sections 5.02 and 5.06 shall be true and correct in all material respects (without regard to any materiality qualifiers specified therein) as of the date of this Agreement and as of the Closing Date with the same effect as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date) and (ii) set forth in this Agreement, other than those Sections specifically identified in clause (i) of this Section 8.03(a), shall be true and correct (disregarding all qualifications or limitations as to "materiality," "Parent Material Adverse Effect" and words of similar import set forth therein) as of the date of this Agreement and as of the Closing Date with the same effect as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), except, in the case of this clause (ii), where the failure to be true and correct would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. The Company shall have received a certificate signed on behalf of Parent and Merger Sub by an executive officer of Parent and an executive officer of Merger Sub to such effect.

(b) Obligations and Agreements of the Parent Entities. Parent and Merger Sub shall have performed or complied in all material respects with the obligations and agreements required to be performed or complied with by them under this Agreement at or prior to the Closing. The Company shall have received a certificate signed on behalf of Parent and Merger Sub by an executive officer of Parent and an executive officer of Merger Sub to such effect.

(c) Representations and Warranties of BAM. The representations and warranties of BAM (i) set forth in Section 6.02 and clause (ii) of Section 6.09 shall be true and correct in all respects (except for *de minimis* inaccuracies) as of the date of this

Agreement and as of the Closing Date as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), (ii) set forth in Sections 6.03 and 6.12 shall be true and correct in all material respects (without regard to any materiality qualifiers specified therein) as of the date of this Agreement and as of the Closing Date with the same effect as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date) and (iii) set forth in this Agreement, other than those Sections specifically identified in clauses (i) or (ii) of this Section 8.03(c), shall be true and correct (disregarding all qualifications or limitations as to "materiality," "BAM Material Adverse Effect" and words of similar import set forth therein) as of the date of this Agreement and as of the Closing Date with the same effect as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), except, in the case of this clause (iii), where the failure to be true and correct would not, individually or in the aggregate, reasonably be expected to have a BAM Material Adverse Effect. The Company shall have received a certificate signed on behalf of BAM by an executive officer of BAM to such effect.

(d) Obligations and Agreements of BAM. BAM shall have performed or complied in all material respects with the obligations and agreements required to be performed or complied with by them under this Agreement at or prior to the Closing. The Company shall have received a certificate signed on behalf of BAM by an executive officer of BAM to such effect.

SECTION 8.04. Frustration of Closing Conditions. None of the parties hereto may rely, either as a basis for not consummating the Transactions or for terminating this Agreement, on the failure of any condition set forth in Sections 8.01, 8.02 or 8.03, as the case may be, to be satisfied if such failure was caused by such party's breach in any material respect of any provision of this Agreement.

ARTICLE IX

TERMINATION

SECTION 9.01. Termination. This Agreement may be terminated and the Transactions abandoned at any time prior to the Effective Time, whether before or after receipt of the Required Shareholder Approval (except as otherwise expressly noted):

(a) by the mutual written consent of the Company and Parent duly authorized by each of the Company Board and the Parent Board;

(b) by either of the Company or Parent:

(i) if the Merger shall not have been consummated on or prior to April 4, 2024 (the "Outside Date"); provided, however, that if the conditions to the Closing set forth in Section 8.01(c) have not been satisfied or waived on or prior to such date but all other conditions to Closing set forth in Article VIII have been satisfied or waived (other than those conditions that by their nature are to be satisfied or waived at the Closing (so long as such conditions are reasonably capable of being satisfied)), the Outside Date may be extended by either party to a date not beyond July 5, 2024, by providing a written notice thereof to the other party prior to 5:00 p.m. (New York time) on such date; provided, further that the right to terminate this Agreement under this Section 9.01(b)(i) shall not be available to any party if the breach by such party of its representations and warranties set forth in this Agreement or the failure of such party to perform any of its obligations under this Agreement, its failure to act in good faith or its failure to use its reasonable best efforts to consummate the Transactions, including to the extent required by and subject to Section 7.05, has been a proximate cause of the failure of the Merger to be consummated on or prior to such date (it being understood that Parent, BAM and Merger Sub shall be deemed a single party for purposes of the foregoing proviso);

(ii) if any Restraint having the effect set forth in Section 8.01(d) shall be in effect and shall have become final and nonappealable; provided that the party seeking to terminate this Agreement pursuant to this Section 9.01(b)(ii) shall have performed in all material respects its obligations under this Agreement, acted in good faith and used reasonable best efforts to prevent the entry of and to remove such Restraint in accordance with its obligations under this Agreement (it being understood that Parent, BAM and Merger Sub shall be deemed a single party for purposes of the foregoing proviso); or

(iii) if the Required Shareholder Approval shall not have been obtained following a vote thereon having been taken at the Company Shareholders Meeting or at any postponement, recess or adjournment thereof taken in accordance with this Agreement;

(c) by Parent:

(i) if the Company shall have breached any of its representations or warranties or failed to perform any of its obligations or agreements set forth in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 8.02(a) or Section 8.02(b) and (B) is not reasonably capable of being cured prior to the Outside Date, or if reasonably capable of being cured, shall not have been cured by the earlier of the Outside Date and 30 days following receipt by the Company of written notice of such breach or failure to perform from Parent stating Parent's intention to terminate this Agreement pursuant to this Section 9.01(c)(i) and the basis for such termination; provided that Parent shall not have the right to terminate this Agreement pursuant to this Section 9.01(c)(i) if Parent, Merger Sub or BAM is then in material breach of any of its representations, warranties, obligations or agreements hereunder; or

(ii) prior to receipt of the Required Shareholder Approval, if the Company Board shall have effected and not withdrawn an Adverse Recommendation Change; or

(d) by the Company:

(i) if Parent, Merger Sub or BAM shall have breached any of its representations or warranties or failed to perform any of its obligations or agreements set forth in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Sections 8.03(a), 8.03(b), 8.03(c) or 8.03(d) and (B) is not reasonably capable of being cured prior to the Outside Date, or if reasonably capable of being cured, shall not have been cured by the earlier of the Outside Date and 30 days following receipt by Parent, Merger Sub or BAM, as applicable, of written notice of such breach or failure to perform from the Company stating the Company's intention to terminate this Agreement pursuant to this Section 9.01(d)(i) and the basis for such termination; provided that the Company shall not have the right to terminate this Agreement pursuant to this Section 9.01(d)(i) if the Company is then in material breach of any of its representations, warranties, obligations or agreements hereunder; or

(ii) prior to receipt of the Required Shareholder Approval, in connection with entering into a Company Acquisition Agreement in accordance with Section 7.03(d)(ii); provided that, prior to or concurrently with such termination, the Company pays the Company Termination Fee in accordance with Section 9.03.

SECTION 9.02. Effect of Termination. In the event of the termination of this Agreement as provided in Section 9.01, written notice thereof shall be given to the other party or parties, specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void (other than Sections 9.02 and 9.03, Article X, the Confidentiality Agreement and the Guaranty, all of which shall survive termination of this Agreement), and there shall be no liability on the part of Parent, Merger Sub, the Company or their respective former, current or future directors, officers, partners, shareholders, managers, members and Affiliates arising out of or in connection with this Agreement, any of the Transactions or any matters forming the basis of such termination, except (a) as liability may exist pursuant to the provisions specified in the immediately preceding parenthetical that survive such termination, (b) as liability may exist pursuant to the terms and conditions of the Guaranty or the Voting Agreement, and (c) that no such termination shall relieve any party from liability for any Willful Breach or Fraud.

SECTION 9.03. Termination Fee.

(a) In the event that this Agreement is terminated (A) by Parent pursuant to Section 9.01(c)(ii) or (B) by the Company pursuant to Section 9.01(d)(ii), then the Company shall pay Parent the Company Termination Fee. If the Company Termination Fee is payable pursuant to clause (A) of the preceding sentence, the

Company Termination Fee shall be paid within four business days after the date of such termination, and if the Company Termination Fee is payable pursuant to clause (B) of the preceding sentence, the Company Termination Fee shall be paid as described in Section 9.01(d)(ii), in each case, by wire transfer of immediately available funds to an account designated by Parent in writing (it being understood that in no event shall the Company be required to pay the Company Termination Fee more than once).

(b) If this Agreement is terminated by either Parent or the Company pursuant to Section 9.01(b)(iii) and (A) at any time after the date of this Agreement and prior to such termination, a Takeover Proposal shall have been publicly announced or publicly made known to the Company Board or the shareholders of the Company and not withdrawn and (B) within 12 months of such termination, the Company consummates such a Takeover Proposal or enters into a definitive agreement to consummate such a Takeover Proposal and the Company thereafter consummates such Takeover Proposal (whether or not within such 12 month period), then the Company shall pay Parent the Company Termination Fee; provided that for purposes of this Section 9.03(b), the references to "20%" in the definition of Takeover Proposal shall be deemed to be references to "50%." If the Company Termination Fee is payable pursuant to this Section 9.03(b), the Company Termination Fee shall be paid upon the consummation of such Takeover Proposal by wire transfer of immediately available funds to an account designated by Parent in writing (it being understood that in no event shall the Company be required to pay the Company Termination Fee more than once).

(c) Each of the parties acknowledges that the agreements contained in this Section 9.03 are an integral part of the Transactions, and that without these agreements, the other parties would not enter into this Agreement; accordingly, if the Company fails to timely pay any amount due pursuant to this Section 9.03, and, in order to obtain the payment, Parent commences an Action which results in a judgment against the Company for the payment set forth in this Section 9.03, the Company shall pay Parent for its reasonable and documented costs and expenses (including reasonable and documented attorneys' fees) in connection with such Action, together with interest on such amount at the prime rate as published in *The Wall Street Journal* in effect on the date such payment was required to be made through the date such payment was actually received.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. No Survival of Representations and Warranties. This Article X and the agreements of the Company, Parent and Merger Sub contained in Article III and in Sections 7.08, 7.10 and 7.11 shall survive the Effective Time. No other representations, warranties, obligations or agreements in this Agreement shall survive the Effective Time, expect for those representations, warranties, obligations or agreements set forth in this Agreement that by their terms apply, or that are to be performed in whole or in part, after the Effective Time.

SECTION 10.02. Amendment or Supplement. At any time prior to the Closing, this Agreement may be amended or supplemented in any and all respects, whether before or after receipt of the Required Shareholder Approval, only by written agreement of the parties, by action taken by the Parent Board, an authorized officer of BAM and the Company Board; provided, however, that following receipt of the Required Shareholder Approval, there shall be no amendment or change to the provisions hereof which by applicable Law would require further approval by the Company's shareholders without such approval.

SECTION 10.03. Extension of Time, Waiver, Etc. At any time prior to the Closing, Parent and the Company may, subject to applicable Law, (a) waive any inaccuracies in the representations and warranties of the other party, (b) extend the time for the performance of any of the obligations or acts of the other party or (c) subject to the requirements of applicable Law, waive compliance by the other party with any of the agreements contained herein or, except as otherwise provided herein, waive any of such party's conditions (it being understood that Parent and Merger Sub shall be deemed a single party for purposes of the foregoing). Notwithstanding the foregoing, no failure or delay by the Company, Parent or Merger Sub in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

SECTION 10.04. Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of Law or otherwise, by any of the parties without the prior written consent of the other parties. No assignment by any party shall relieve such party of any of its obligations hereunder. Subject to the immediately preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and permitted assigns. Any purported assignment not permitted under this Section 10.04 shall be null and void.

SECTION 10.05. Counterparts. This Agreement may be executed in one or more counterparts (including by electronic mail), each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 10.06. Entire Agreement; No Third-Party Beneficiaries. This Agreement, together with the Exhibits and Schedules attached hereto, the Company Disclosure Letter, the Parent Disclosure Letter, the BAM Disclosure Letter, the Guaranty, the Voting Agreement and the Confidentiality Agreement, constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, among the parties and their Affiliates, or any of them, with respect to the subject matter hereof and thereof. Except for: (i) if the Effective Time occurs, (A) the right of the holders of Common Stock to receive the Merger Consideration payable in accordance with Article III and (B) the right of the holders of Preferred Stock to receive preferred stock of the Surviving Company in accordance with Article III and (ii) the Indemnitees with respect to the provisions set forth in Section 7.08 of this Agreement, nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties any rights or remedies hereunder. Notwithstanding the foregoing, the Company shall have the right to recover, through an Action brought by the Company, damages from Parent (or against BN to the extent provided for in the Guaranty) in the event of a breach of this Agreement by Parent, in which event the damages recoverable by the Company for itself and on behalf of the Company's shareholders shall be determined by reference to the total amount that would have been recoverable by such holders if all such holders brought an action against Parent and were recognized as third-party beneficiaries hereunder. The representations, warranties, covenants and agreements in this Agreement are the product of negotiations among the parties and are for the sole benefit of the parties and may, in certain instances, be qualified, limited or changed by confidential disclosure letters. Any inaccuracies in such representations or warranties or failure to perform or breach of such covenants or agreements are subject to waiver by the parties in accordance with Section 10.03 without notice or liability to any other Person. In some instances, the representations, warranties, covenants and agreements in this Agreement may represent an allocation among the parties of risk associated with particular matters regardless of the knowledge of any of the parties. Consequently, Persons other than the parties may not rely upon the representations, warranties, covenants and agreements in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

SECTION 10.07. Governing Law; Jurisdiction.

(a) This Agreement shall be governed by, and construed in accordance with, the Laws of the State of Iowa applicable to contracts executed in and to be performed entirely within that state, regardless of the laws that might otherwise govern under any applicable conflict of laws principles.

(b) All Actions arising out of or relating to the interpretation and enforcement of the provisions of this Agreement and in respect of the Transactions shall be heard and determined in the Iowa District Court for Polk County, or, if the Iowa District Court declines to accept jurisdiction over a particular matter, any federal court within the State of Iowa, or, if both the Iowa District Court and the federal courts within the State of Iowa decline to accept jurisdiction over a particular matter, any other state court within the State of Iowa, and, in each case, any appellate court therefrom. The parties hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such Actions and irrevocably waive the defense of an inconvenient forum or lack of jurisdiction to the maintenance of any such Action. The consents to jurisdiction and venue set forth in this Section 10.07(b) shall not constitute general consents to service of process in the State of Iowa and shall have no effect for any purpose except as provided in this paragraph and shall not be deemed to confer rights on any Person other than the parties. Each party agrees that service of process upon such party in any Action arising out of or relating to this Agreement shall be effective if notice is given by overnight courier at the address set forth in Section 10.10 of this Agreement. The parties agree that a final judgment in any such Action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law; provided, however, that nothing contained in the foregoing shall restrict any party's rights to seek any post-judgment relief regarding, or any appeal from, a final trial court judgment.

SECTION 10.08. Specific Enforcement. The parties agree that irreparable damage for which monetary relief, even if available, would not be an adequate remedy, would occur in the event that any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached, including if the parties fail to take any action required of them hereunder to consummate this Agreement, subject to the terms and conditions of this Agreement. The parties acknowledge and agree that (a) the parties shall be entitled to an injunction or injunctions, specific performance or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof (including, for the avoidance of doubt, the right of the Company to cause the Merger to be consummated on the terms and subject to the conditions set forth in this Agreement and to enforce the obligations of BN pursuant to the terms of the Guaranty and the Voting Agreement) in the courts described in Section 10.07(b) without proof of damages or otherwise, this being in addition to any other remedy to which they are entitled under this Agreement and (b) the right of specific enforcement is an integral part of the Transactions and without that right, neither the Company nor Parent would have entered into this Agreement. The parties agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to Law or inequitable for any reason, and not to assert that a remedy of monetary damages would provide an adequate remedy or that the parties otherwise have an adequate remedy at law. The parties acknowledge and agree that any party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 10.08 shall not be required to provide any bond or other security in connection with any such order or injunction.

SECTION 10.09. WAIVER OF JURY TRIAL. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (C) IT MAKES SUCH WAIVER VOLUNTARILY AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 10.09.

SECTION 10.10. Notices. All notices, requests and other communications to any party hereunder shall be in writing and shall be deemed given if delivered personally, emailed (but only if confirmation of receipt of such email is requested and received, provided that each notice party shall use reasonable best efforts to confirm receipt of any such email correspondence promptly upon receipt of such request) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses:

If to Parent or Merger Sub, to:

Brookfield Reinsurance Ltd.
Ideation House, First Floor
94 Pitts Bay Road
Pembroke, HM08, Bermuda
Attention: Anna Knapman-Scott
Lyndsay Hatlelid
Email: anna.knapmanscott@northendre.com
lyndsay.hatlelid@brookfield.com

with a copy (which shall not constitute notice) to:

Cravath, Swaine & Moore LLP
825 Eighth Avenue
New York, New York 10019
Attention: Richard Hall
David J. Perkins
Email: rhall@cravath.com
dperkins@cravath.com

and:

Debevoise & Plimpton LLP
66 Hudson Boulevard
New York, New York 10001
Attention: Nicholas F. Potter
Email: nfpotter@debevoise.com

If to BAM, to:

Brookfield Asset Management Ltd.
Brookfield Place, Suite 100
181 Bay Street, P.O. Box 762
Toronto, Ontario, Canada
M5J 2T3
Attention: Kathy Sarpash
Email: kathy.sarpash@brookfield.com

with a copy (which shall not constitute notice) to:

Cravath, Swaine & Moore LLP
825 Eighth Avenue
New York, New York 10019
Attention: Richard Hall
David J. Perkins
Email: rhall@cravath.com
dperkins@cravath.com

If to the Company, to:

American Equity Investment Life Holding Company
6000 Westown Parkway
West Des Moines, Iowa 50266
Attention: Shari Wood
Email: swood@american-equity.com

with copies (which shall not constitute notice) to:

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
Attention: H. Rodgin Cohen
Melissa Sawyer
Stephen M. Kotran

Email: cohenhr@sullcrom.com
sawyerm@sullcrom.com
kotranS@sullcrom.com

or such other address or email address as such party may hereafter specify by like notice to the other parties. All such notices, requests and other communications shall be deemed received on the date of actual receipt by the recipient thereof if received prior to 5:00 p.m. local time in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

SECTION 10.11. Severability. If any term, condition or other provision of this Agreement is finally determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any applicable Law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party or such party waives its rights under this Section 10.11 with respect thereto. Upon such determination that any term, condition or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable Law in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

SECTION 10.12. Fees and Expenses. Whether or not the Transactions are consummated, all fees and expenses incurred in connection with the Transactions and this Agreement shall be paid by the party incurring or required to incur such fees or expenses, except as otherwise set forth in this Agreement.

SECTION 10.13. Transfer Taxes. Except as otherwise provided in Section 3.02(b), all transfer, documentary, sales, use, stamp, registration, value-added and other similar Taxes and fees incurred in connection with the Transactions shall be paid by Parent and Merger Sub when due and expressly shall not be a liability of any holders of the Common Stock or the Company Awards or the Company.

SECTION 10.14. No Other Representations and Warranties.

(a) Except for the representations and warranties expressly set forth in Article IV, neither the Company nor any other Person on behalf of the Company makes any express or implied representation or warranty with respect to the Company, its Subsidiaries or their respective businesses or with respect to any other information provided to Parent, Merger Sub, BAM or their Representatives or Affiliates in connection with the Transactions. Neither the Company nor any other Person will have or be subject to any liability to Parent, Merger Sub, BAM or any other Person resulting from the distribution to Parent, Merger Sub, BAM or their respective Representatives or Affiliates, or Parent's, Merger Sub's, BAM's or their Representatives' or Affiliates' use of, any such information, including any information, documents, projections, forecasts or any other material made available to Parent, Merger Sub, BAM or their Representatives or Affiliates in the "data rooms" or management presentations in connection with Parent's, Merger Sub's and BAM's consideration and review of the Transactions, unless any such information is expressly included in a representation or warranty set forth in Article IV. Except for the representations and warranties set forth in Article IV, each of Parent, Merger Sub and BAM acknowledges that neither the Company nor any Person on behalf of the Company makes any other express or implied representation or warranty with respect to the Company or any of its Subsidiaries or with respect to any other information provided or made available to Parent, Merger Sub or BAM in connection with the Transactions.

(b) Except for the representations and warranties expressly set forth in Article V, the Guaranty or the Voting Agreement, neither Parent nor Merger Sub nor any other Person on behalf of Parent or Merger Sub makes any express or implied representation or warranty with respect to Parent, Merger Sub or their respective Subsidiaries or their respective businesses or with respect to any other information provided to the Company or its Representatives or Affiliates in connection with the Transactions. Except for the representations and warranties set forth in Article V, the Guaranty or the Voting Agreement, the Company acknowledges that none of Parent, Merger Sub or any Person on behalf of Parent or Merger Sub makes any other express or implied representation or warranty with respect to Parent or Merger Sub or with respect to any other information provided or made available to the Company in connection with the Transactions.

(c) Except for the representations and warranties expressly set forth in Article VI, the Guaranty or the Voting Agreement, neither BAM nor any other Person on behalf of BAM makes any express or implied representation or warranty with respect to BAM, or its respective Subsidiaries or its respective businesses or with respect to any other information provided to the Company or its Representatives or Affiliates in connection with the Transactions. Except for the representations and warranties set forth in Article VI, the Guaranty or the Voting Agreement, the Company acknowledges that none of BAM or any Person on behalf of BAM makes any other express or implied representation or warranty with respect to BAM or with respect to any other information provided or made available to the Company in connection with the Transactions.

(d) Notwithstanding anything to the contrary contained in this Agreement or any other agreement, document or instrument, each of Parent, Merger Sub and BAM acknowledges and agrees that the Company and its Subsidiaries make no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith is intended or shall be construed to be a representation or warranty, express or implied, of the Company or any of its Subsidiaries, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith, in respect of (i) the adequacy or sufficiency of reserves of the Company or any of its Subsidiaries, (ii) the effect of the adequacy or sufficiency of reserves of the Company or any of its Subsidiaries on any line item, asset, liability or equity amount on any financial or other document, (iii) whether or not reserves of the Company or any of its Subsidiaries were determined in accordance with any actuarial, statutory, regulatory or other standard or (iv) the collectability of any amounts under any Reinsurance Agreement.

SECTION 10.15. No Other Duties and Obligations. Except for the duties and obligations expressly set forth in Sections 3.02(a)(ii)(B), 3.02(d), 7.02, 7.04, 7.14(d), 7.20 and 8.03(c), neither BAM nor any other Person on behalf of BAM makes any express or implied duties or obligations with respect to BAM or its respective Subsidiaries or its respective businesses in connection with the Transactions. Except for the duties and obligations expressly set forth in Sections 3.02(a)(ii)(B), 3.02(d), 7.02, 7.04, 7.14(d), 7.20 and 8.03(c), the Company acknowledges that none of BAM or any Person on behalf of BAM makes any other express or implied duties or obligations with respect to BAM or its respective Subsidiaries or its respective businesses in connection with the Transactions.

[*Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY,

by

Name: Anant Bhalla
Title: Chief Executive Officer and President

BROOKFIELD REINSURANCE LTD.,

by

Name:
Title:

Solely for the purposes of the sections expressly set forth in the preamble hereto
BROOKFIELD ASSET MANAGEMENT LTD.,

by

Name:
Title:

ARCHES MERGER SUB INC.,

by

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY,

by

Name:
Title:

`

BROOKFIELD REINSURANCE LTD.,

by

Name: Anna Knapman-Scott
Title: Corporate Secretary

Solely for the purposes of the sections expressly set forth in the preamble hereto
BROOKFIELD ASSET MANAGEMENT LTD.,

by

Name: Kathy Sarpash
Title: Authorized Signatory

ARCHES MERGER SUB INC.,

by

Name: Jonathan Bayer
Title: President

Exhibit A

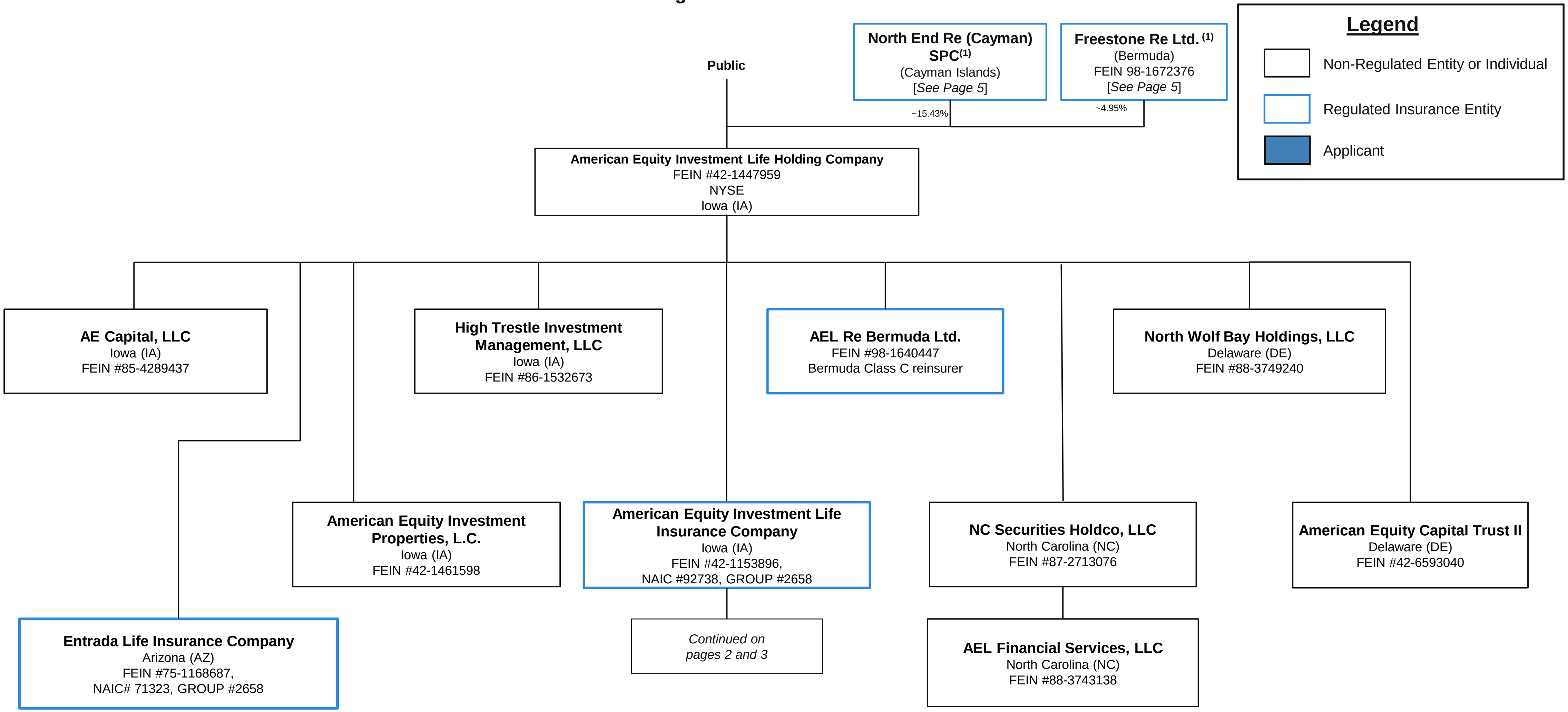
See attached

EXHIBIT 2

Abbreviated Current Organizational Charts of Applicants and Domestic Insurers

Exhibit 2

Abbreviated Current Organizational Chart of the Domestic Insurers



(1) As of July 4, 2023, Brookfield Reinsurance Ltd. beneficially owns an approximate 20.38% interest in American Equity Investment Life Holding Company ("AEL Holdco"), through its wholly owned indirect subsidiaries, North End Re (Cayman) SPC ("North End Re") and Freestone Re Ltd. ("Freestone"). This investment was consummated pursuant to the Investment Agreement (the "Investment Agreement"), dated October 17, 2020, by and among AEL Holdco, Brookfield Corporation (f/k/a Brookfield Asset Management Inc.) and Burgundy Acquisitions I Ltd. North End Re and Freestone are successors and assignees of Burgundy Acquisitions I Ltd. under the Investment Agreement.

Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

Abbreviated Current Organizational Chart of the Domestic Insurers (continued)

Legend

- Non-Regulated Entity or Individual
- Regulated Insurance Entity
- Applicant

Continued from page 1

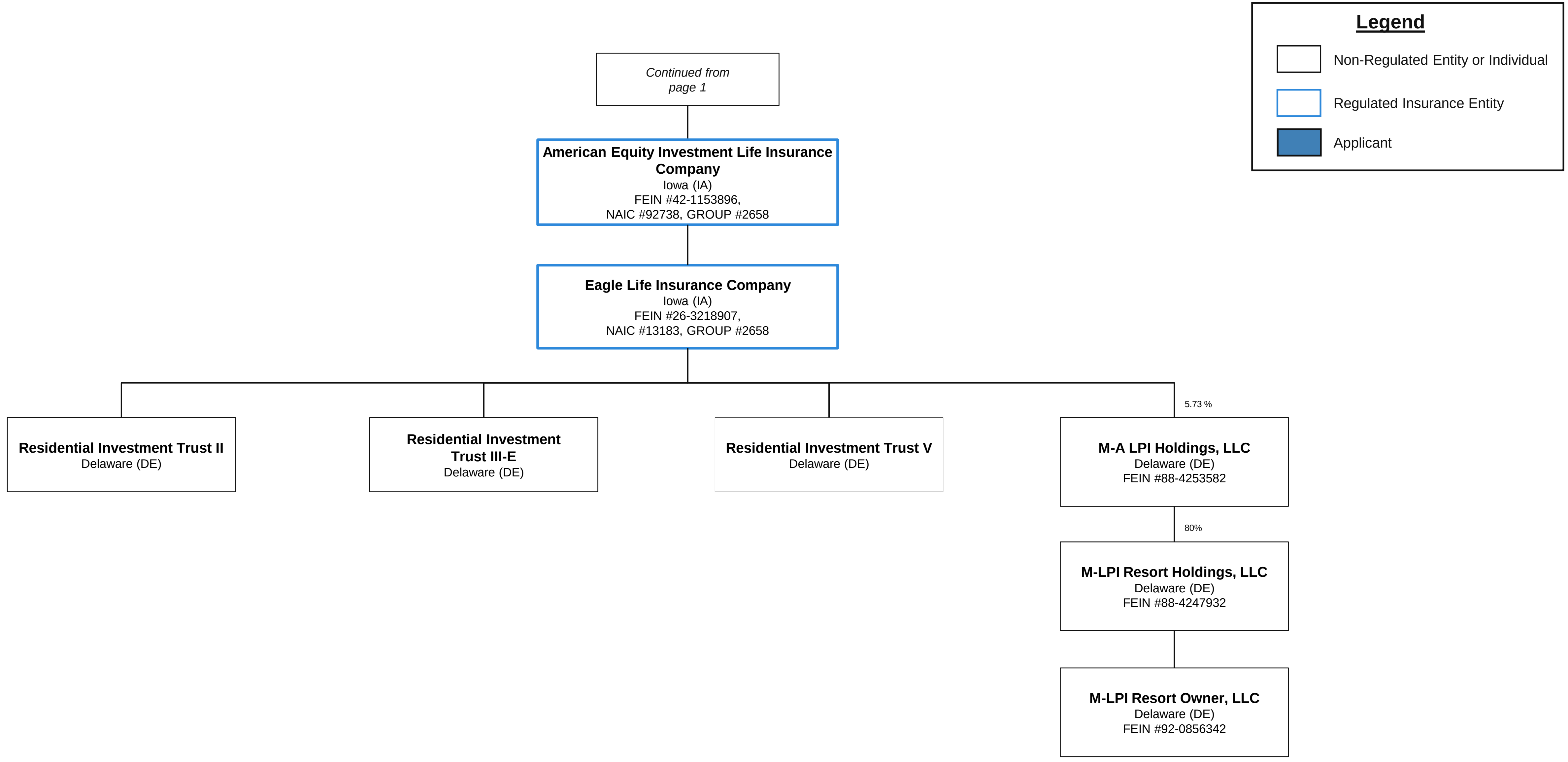
(2) AEL Re Vermont II, Inc. was formed on October 19, 2023, but as of the date hereof, has not yet receive a Vermont license. It is possible that AEL Re Vermont II, Inc. will receive its Vermont license, and therefore become a regulated entity, prior to the Closing.

- **American Equity Investment Life Insurance Company**, Iowa (IA), FEIN #42-1153896, NAIC #92738, GROUP #2658
  - **American Equity Investment Life Insurance Company of New York**, New York (NY), FEIN #22-3762465, NAIC #11135, GROUP #2658
  - **BH JV Multifamily Investors, LLC**, Delaware (DE), FEIN #88-0711676
    - 85.56% **Vantage at Westover Parent, LLC**, Delaware (DE)
      - **Vantage at Westover Owner, LLC**, Delaware (DE) l
  - **BH JV (Berm FW) Multifamily Investors, LLC**, Delaware (DE), FEIN #92-1992151
    - 14.44% **Vantage at Westover Parent, LLC**
    - 19.98% **Stonecastle Apartments Holdings, LLC**, Delaware (DE)
      - **PBH Stonecastle, LLC**, Delaware (DE)
  - **Residential Investment Trust III – Verm FW**, Delaware (DE)
  - **Residential Investment Trust IV - Berm FW**, Delaware (DE)
  - 84.27% **M-A LPI Holdings, LLC**, Delaware (DE), FEIN #88-4253582
    - 80% **M-LPI Resort Holdings, LLC**, Delaware (DE), FEIN #88-4247932
      - **M-LPI Resort Owner, LLC**, Delaware (DE), FEIN #92-0856342
  - **AERL, L.C.**, Iowa (IA), FEIN #27-0413288
  - **AEL Re Vermont II, Inc.** (2), Vermont (VT)
  - **AEL Re Vermont Inc.**, Vermont (VT), FEIN #87-2625017, NAIC #17189, GROUP #2658
  - **Residential Investment Trust**, Delaware (DE)
  - **Residential Investment Trust III**, Delaware (DE)
  - **Residential Investment Trust IV**, Delaware (DE)
  - **Residential Investment Trust – Berm FW**, Delaware (DE)
  - **Residential Investment Trust III – Berm FW**, Delaware (DE)
  - **ISQ Ace Fund, LLC**, Delaware (DE)

Notes:

- All ownership 100%, unless otherwise noted.

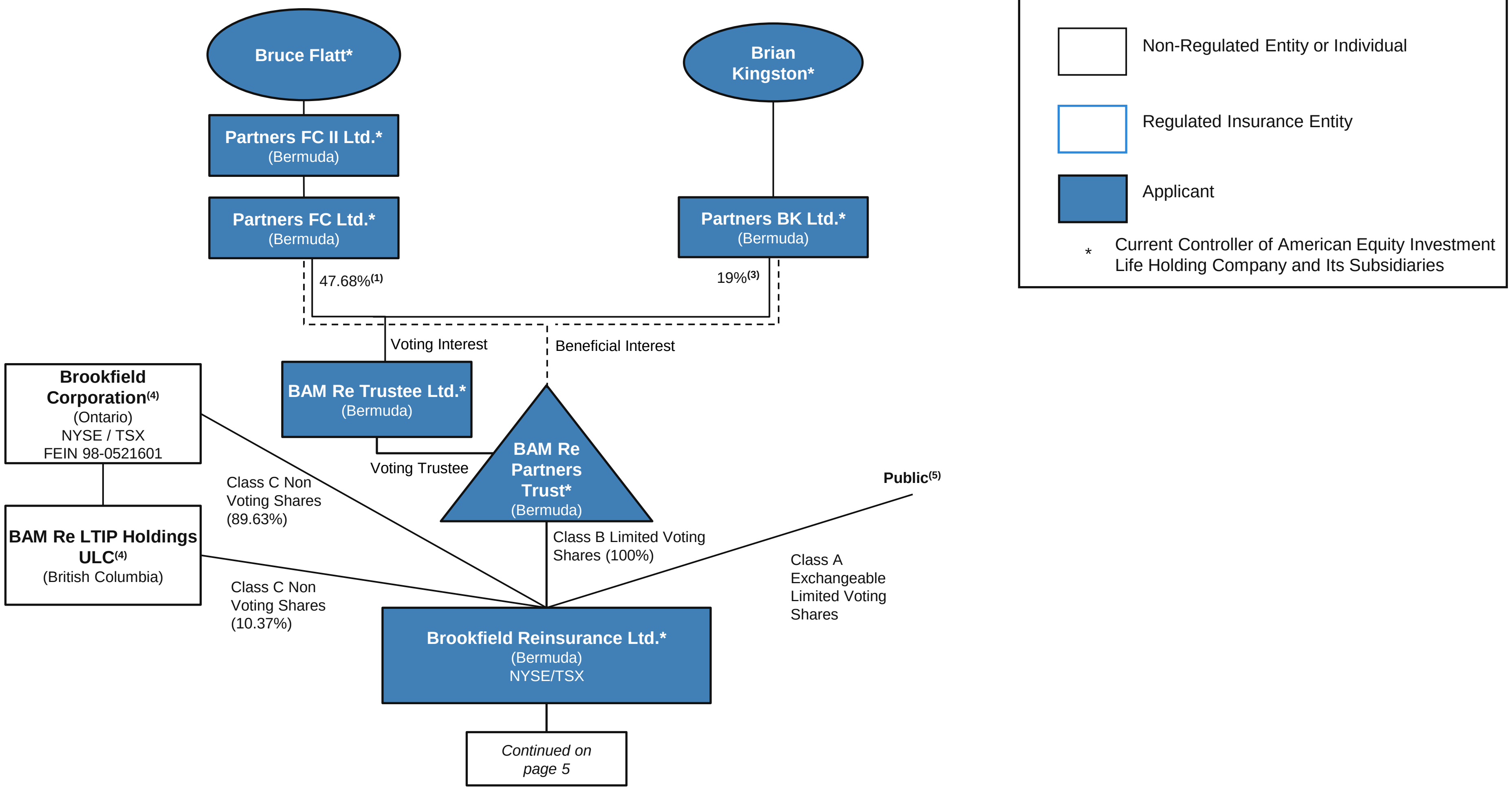
Abbreviated Current Organizational Chart of the Domestic Insurers (continued)



Notes:

- All ownership 100%, unless otherwise noted.

Abbreviated Current Organizational Chart of the Applicants



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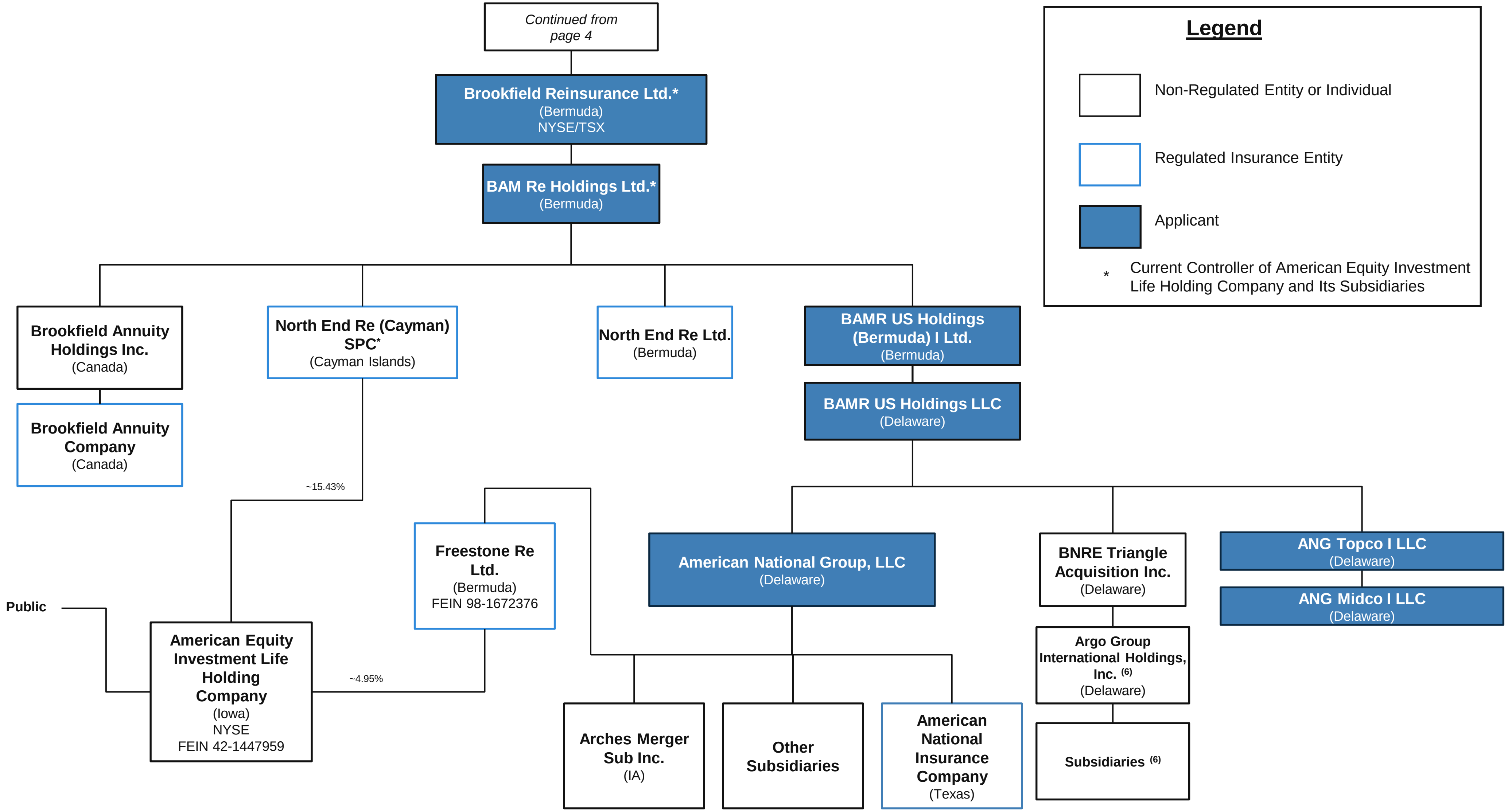
(3) This percentage represents both the percentage of beneficial interest in the BAM Re Partners Trust and the percentage of voting interest in BAM Re Trustee Ltd., which are the same percentage numbers. The remaining 33.32% beneficial interest in BAM Re Trust and 33.32% voting interest in its trustee, BAM Re Trustee, is held through entities owned by (i) Sachin Shah (6.66%), (ii) Anuj Ranjan (6.66%) (iii) Connor Teskey (6.66%), (iv) Cyrus Madon (6.66%) and (v) Sam Pollock (6.66%).
(4) The holders of the Class C Non-Voting Shares are filing a Disclaimer of Affiliation in connection with this Proposed Acquisition.
(5) As of the date hereof, Bruce Flatt is the only person (with the full power to vote) holding 10% or more of the Brookfield Reinsurance Class A Shares.

Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

Abbreviated Current Organizational Chart of the Applicants (continued)



(6) On February 8, 2023, Argo Group International Holdings, Ltd. ("Argo Group"), Brookfield Reinsurance and BNRE Bermuda Merger Sub entered into an agreement to acquire Argo Group. Brookfield Reinsurance and its affiliates have received approval of applications for the acquisition of control of Argo Group in Illinois, Virginia, Pennsylvania, New York, Bermuda and Italy. The acquisition closed on November 16, 2023.

Notes:

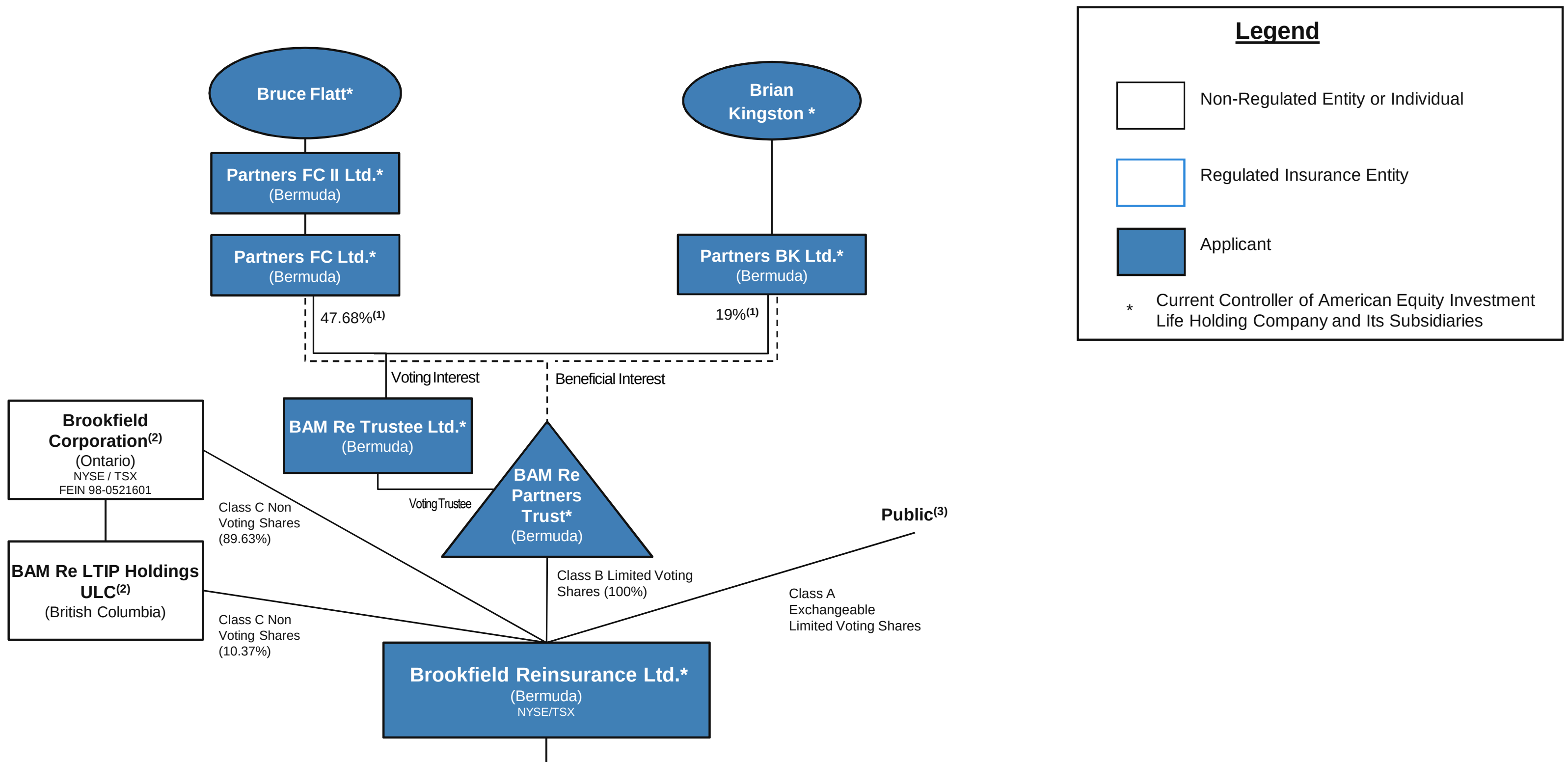
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.
- All ownership 100%, unless otherwise noted.

EXHIBIT 3(a)

Abbreviated Organizational Charts of Applicants and Domestic Insurers Immediately Following Completion of Step 1 of the Internal Reorganization but Prior to Completion of the Merger

Exhibit 3(a)

Abbreviated Organizational Chart of the Applicants
Immediately Following Completion of Step 1 of the Internal Reorganization But Prior to Completion of the Merger



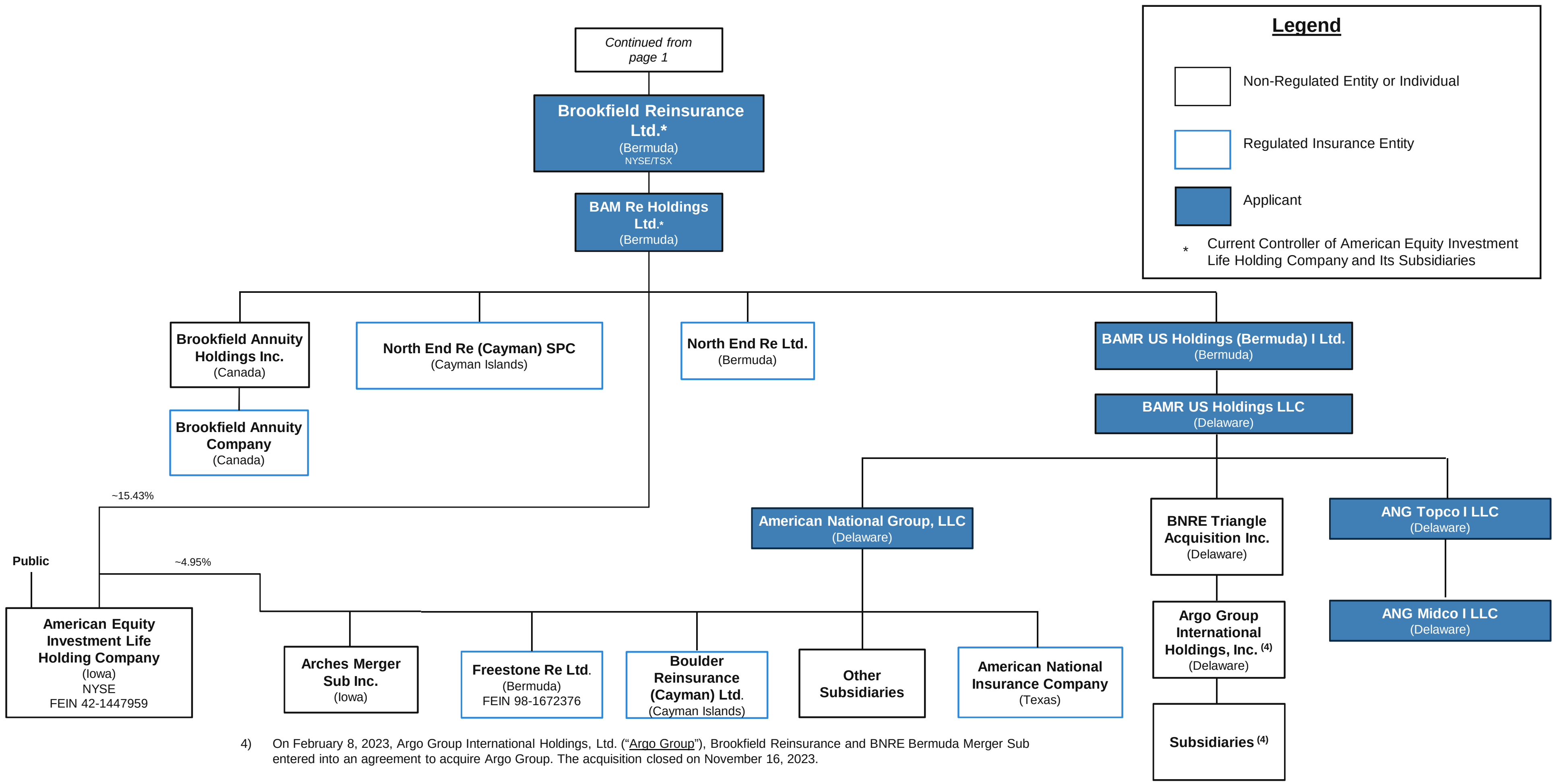
Continued on page 2

(1) This percentage represents both the percentage of beneficial interest in the BAM Re Partners Trust and the percentage of voting interest in BAM Re Trustee Ltd., which are the same percentage numbers. The remaining 33.32% beneficial interest in BAM Re Trust and 33.32% voting interest in its trustee, BAM Re Trustee, is held through entities owned by (i) Sachin Shah (6.66%), (ii) Anuj Ranjan (6.66%) (iii) Connor Teskey (6.66%), (iv) Cyrus Madon (6.66%) and (v) Sam Pollock (6.66%).
(2) The holders of the Class C Non-Voting Shares are filing a Disclaimer of Affiliation in connection with this Proposed Acquisition.
(3) As of the date hereof, Bruce Flatt is the only person holding (with the full power to vote) 10% or more of the Brookfield Reinsurance Class A Shares.

Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

Abbreviated Organizational Chart of the Applicants
Immediately Following Completion of Step 1 of the Internal Reorganization But Prior to the Completion of the Merger (continued)



4) On February 8, 2023, Argo Group International Holdings, Ltd. ("Argo Group"), Brookfield Reinsurance and BNRE Bermuda Merger Sub entered into an agreement to acquire Argo Group. The acquisition closed on November 16, 2023.

Notes:

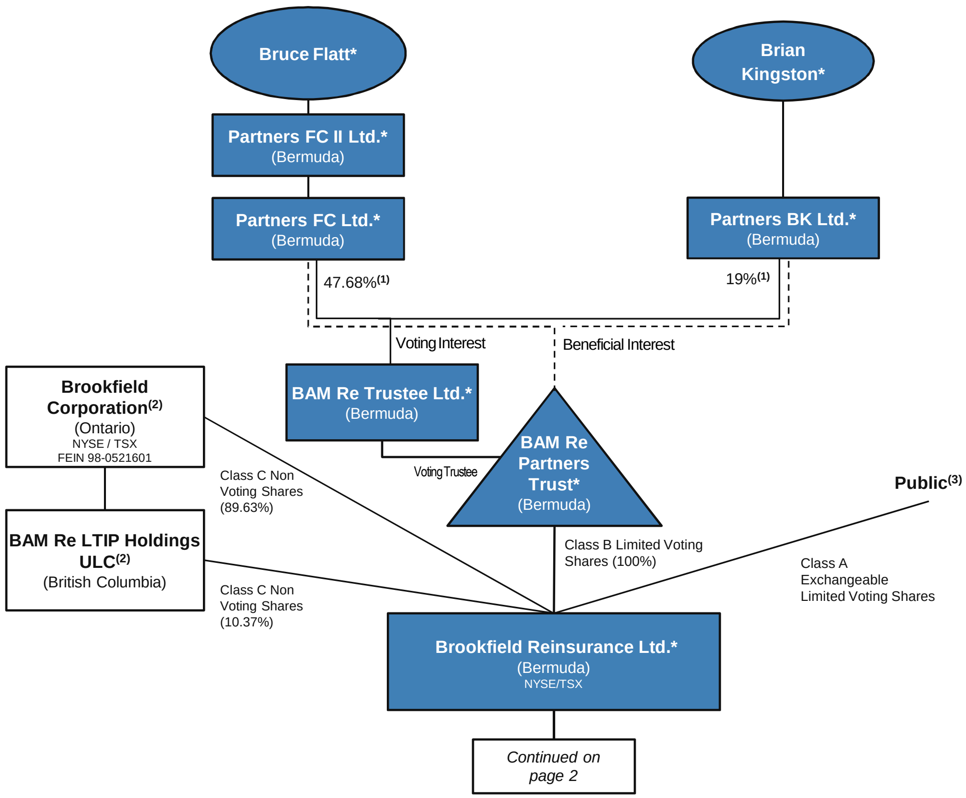
- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

EXHIBIT 3(b)

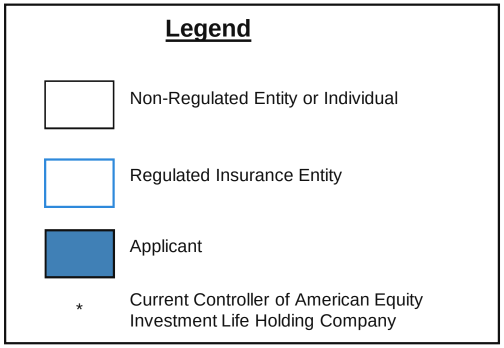
Abbreviated Organizational Charts of Applicants and Domestic Insurers Immediately Post-Merger

Exhibit 3(b)

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Immediately Post-Merger



Continued on page 2

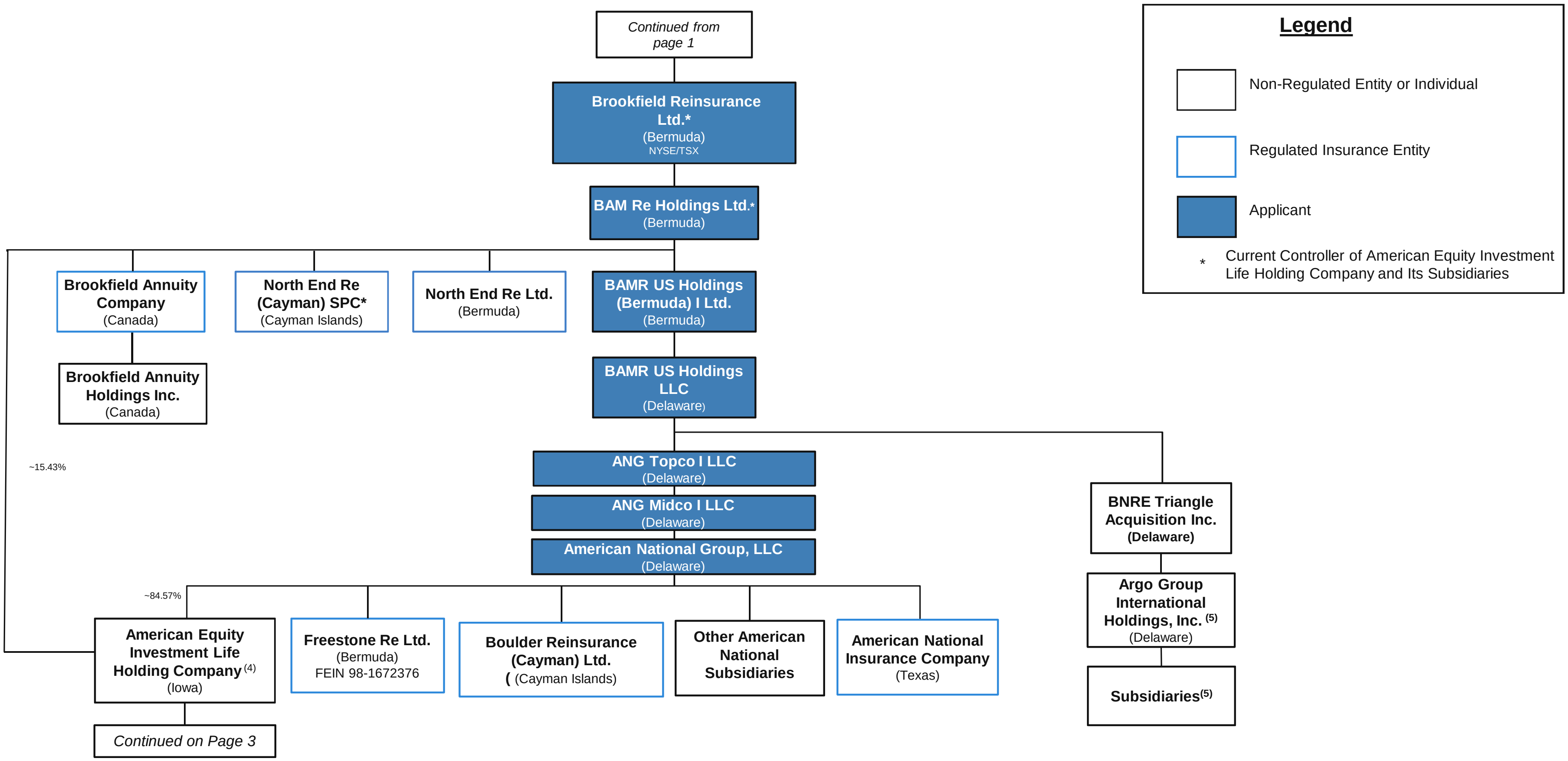


(1) This percentage represents both the percentage of beneficial interest in the BAM Re Partners Trust and the percentage of voting interest in BAM Re Trustee Ltd., which are the same percentage numbers. The remaining 33.32% beneficial interest in BAM Re Trust and 33.32% voting interest in its trustee, BAM Re Trustee, is held through entities owned by (i) Sachin Shah (6.66%), (ii) Anuj Ranjan (6.66%) (iii) Connor Teskey (6.66%), (iv) Cyrus Madon (6.66%) and (v) Sam Pollock (6.66%).
(2) The holders of the Class C Non-Voting Shares are filing a Disclaimer of Affiliation in connection with this Proposed Acquisition.
(3) As of the date hereof, Bruce Flatt is the only person holding (with the full power to vote) 10% or more of the Brookfield Reinsurance Class A Shares.

Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Immediately Post-Merger (continued)



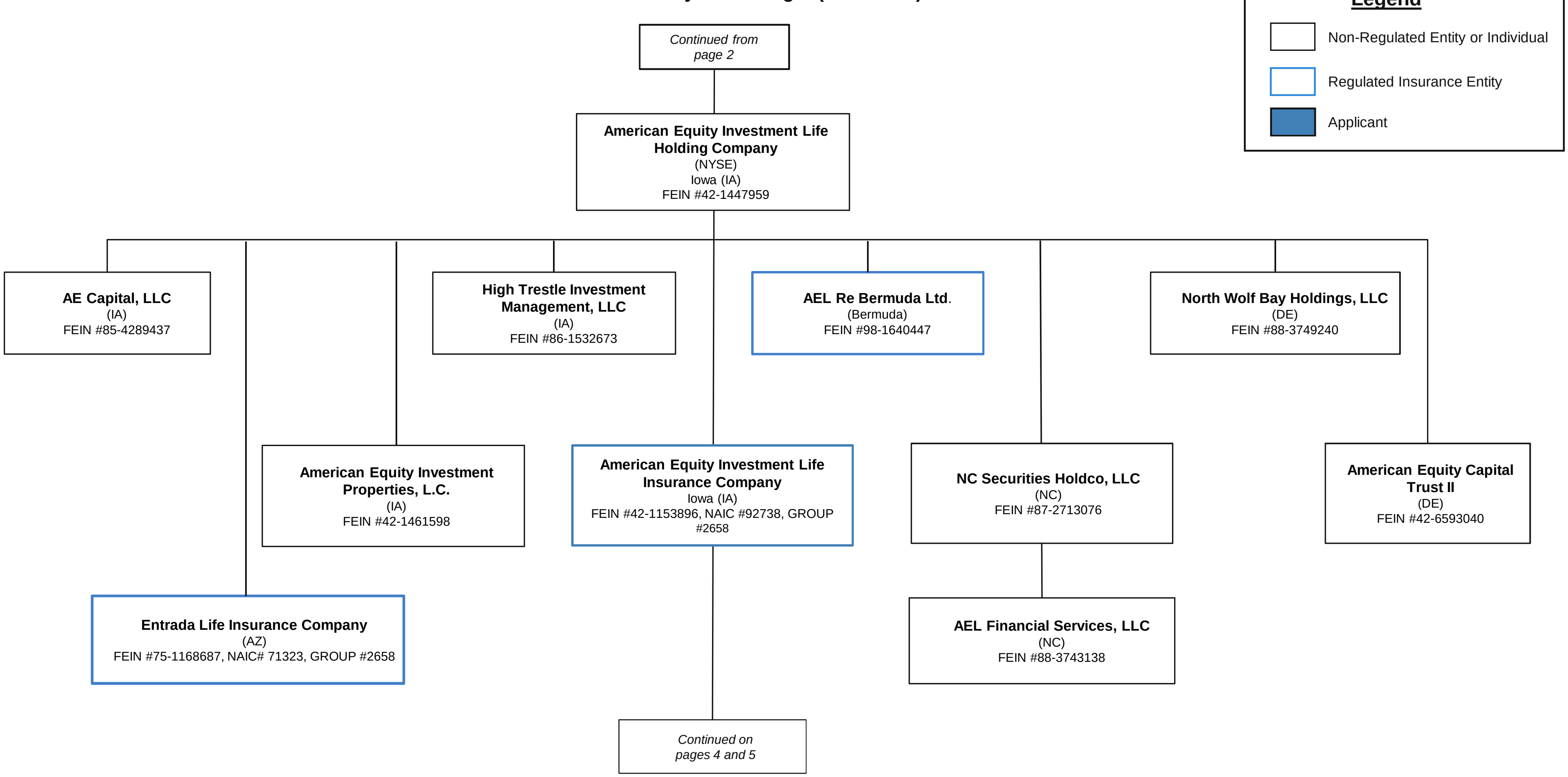
(4) This chart reflects that Arches Merger Sub Inc. has merged with and into American Equity Investment Life Holding Company, with American Equity Investment Life Holding Company surviving the merger.

(5) On February 8, 2023, Argo Group International Holdings, Ltd. ("Argo Group"), Brookfield Reinsurance and BNRE Bermuda Merger Sub entered into an agreement to acquire Argo Group. The acquisition closed on November 16, 2023.

Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Immediately Post-Merger (continued)

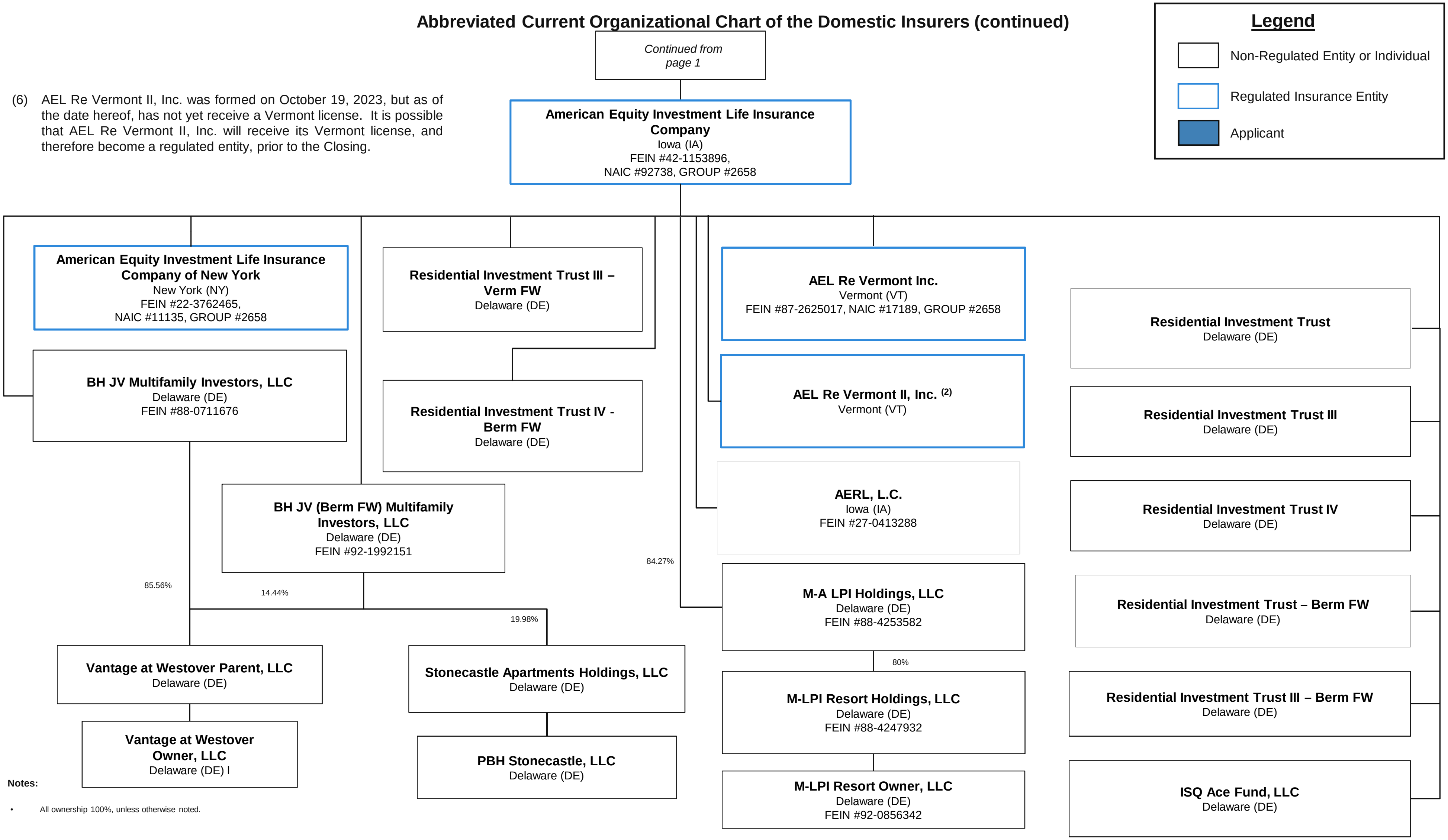


Notes:

- All ownership 100%, unless otherwise noted.

Abbreviated Current Organizational Chart of the Domestic Insurers (continued)

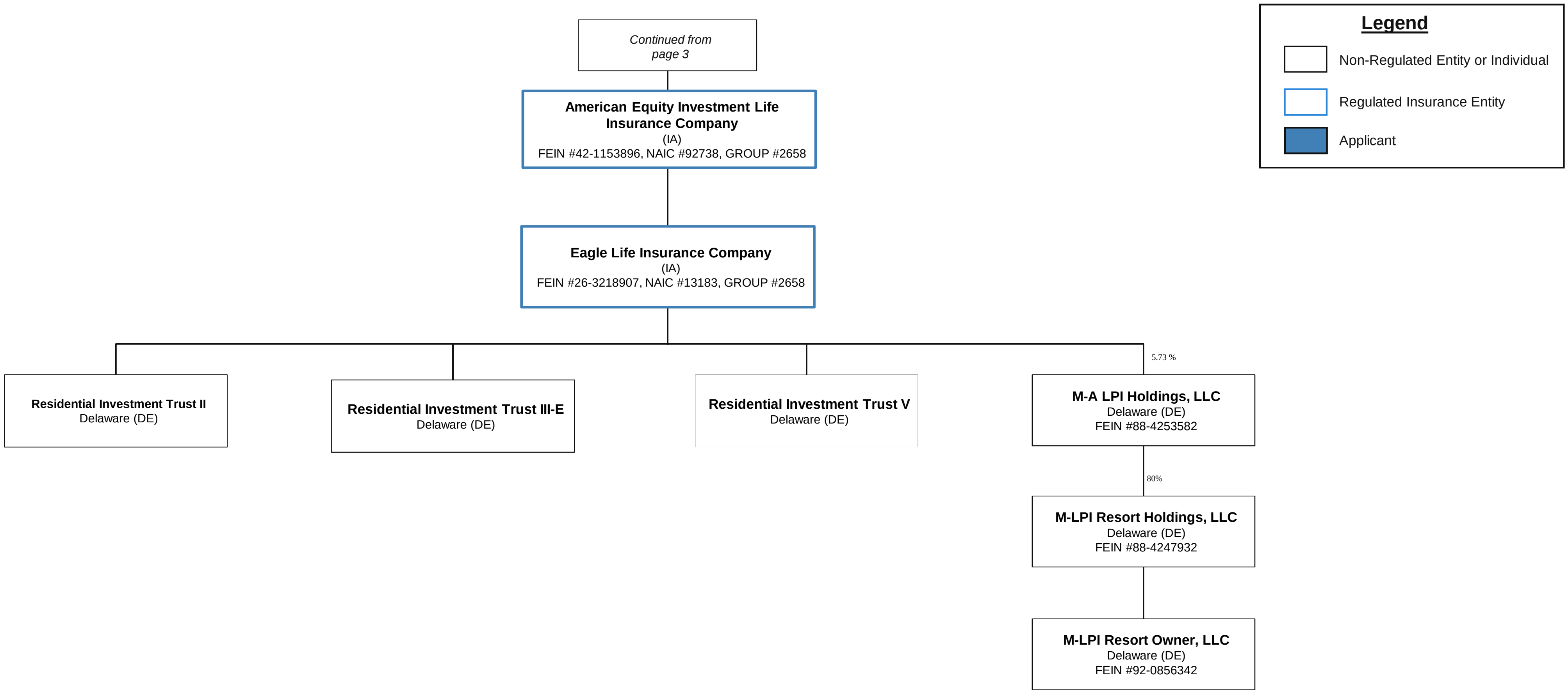
(6) AEL Re Vermont II, Inc. was formed on October 19, 2023, but as of the date hereof, has not yet receive a Vermont license. It is possible that AEL Re Vermont II, Inc. will receive its Vermont license, and therefore become a regulated entity, prior to the Closing.



Notes:

- All ownership 100%, unless otherwise noted.

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Immediately Post-Merger (continued)



Notes:

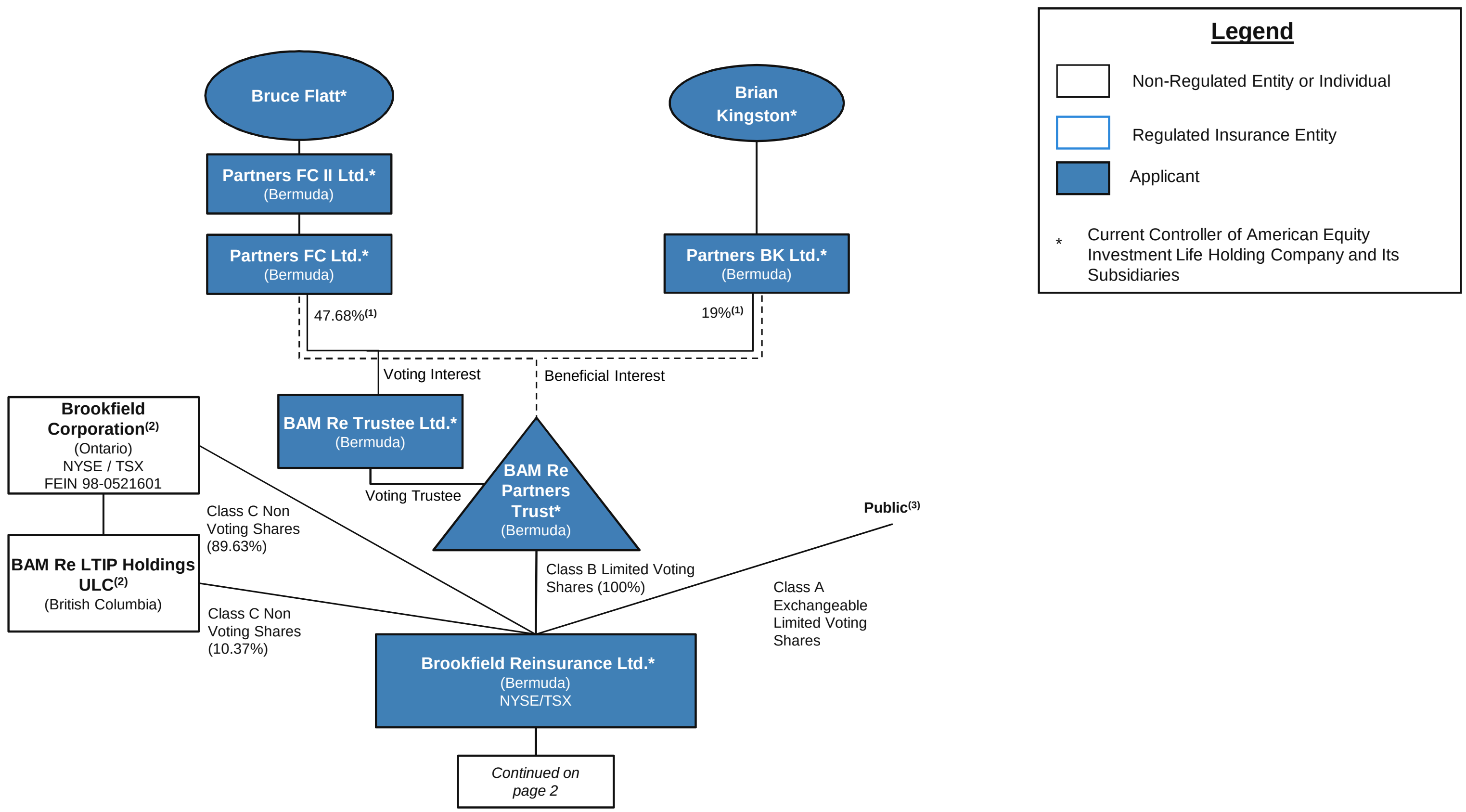
- All ownership 100%, unless otherwise noted.

EXHIBIT 3(c)

Abbreviated Organizational Charts of Applicants and Domestic Insurers Following Consummation of the Internal Reorganization

Exhibit 3(c)

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Following Consummation of the Internal Reorganization



(1) This percentage represents both the percentage of beneficial interest in the BAM Re Partners Trust and the percentage of voting interest in BAM Re Trustee Ltd., which are the same percentage numbers. The remaining 33.32% beneficial interest in BAM Re Trust and 33.32% voting interest in its trustee, BAM Re Trustee, is held through entities owned by (i) Sachin Shah (6.66%), (ii) Anuj Ranjan (6.66%) (iii) Connor Teskey (6.66%), (iv) Cyrus Madon (6.66%) and (v) Sam Pollock (6.66%).
(2) The holders of the Class C Non-Voting Shares are filing a Disclaimer of Affiliation in connection with this Proposed Acquisition.
(3) As of the date hereof, Bruce Flatt is the only person holding (with the full power to vote) 10% or more of the Brookfield Reinsurance Class A Shares.

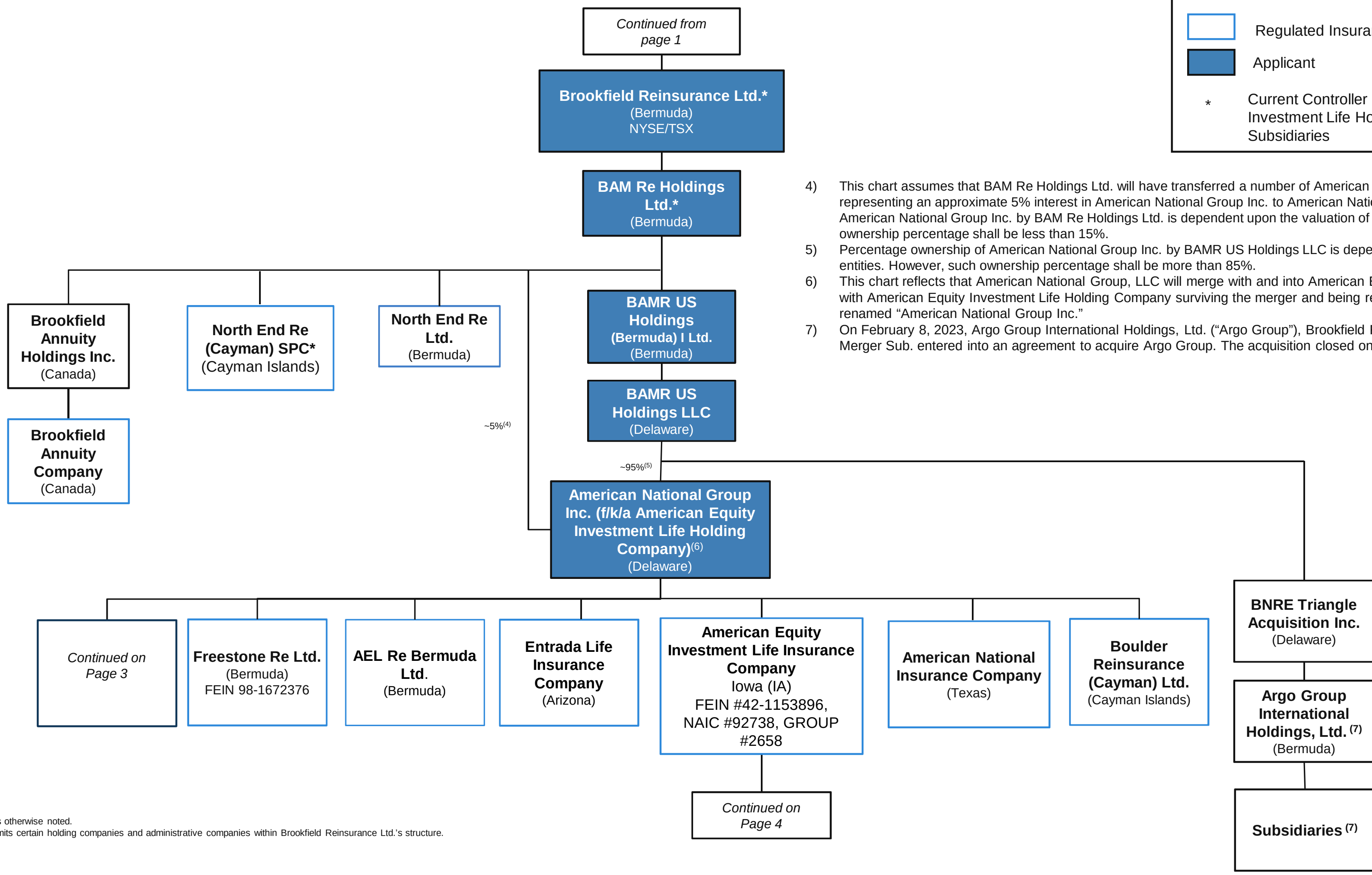
Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Following Consummation of the Internal Reorganization (continued)

Legend

- Non-Regulated Entity or Individual
- Regulated Insurance Entity
- Applicant
- * Current Controller of American Equity Investment Life Holding Company and Its Subsidiaries



4) This chart assumes that BAM Re Holdings Ltd. will have transferred a number of American National Group Inc. common shares representing an approximate 5% interest in American National Group Inc. to American National Group Inc. Percentage ownership of American National Group Inc. by BAM Re Holdings Ltd. is dependent upon the valuation of the merged entities. However, this ownership percentage shall be less than 15%.

5) Percentage ownership of American National Group Inc. by BAMR US Holdings LLC is dependent upon the valuation of the merged entities. However, such ownership percentage shall be more than 85%.

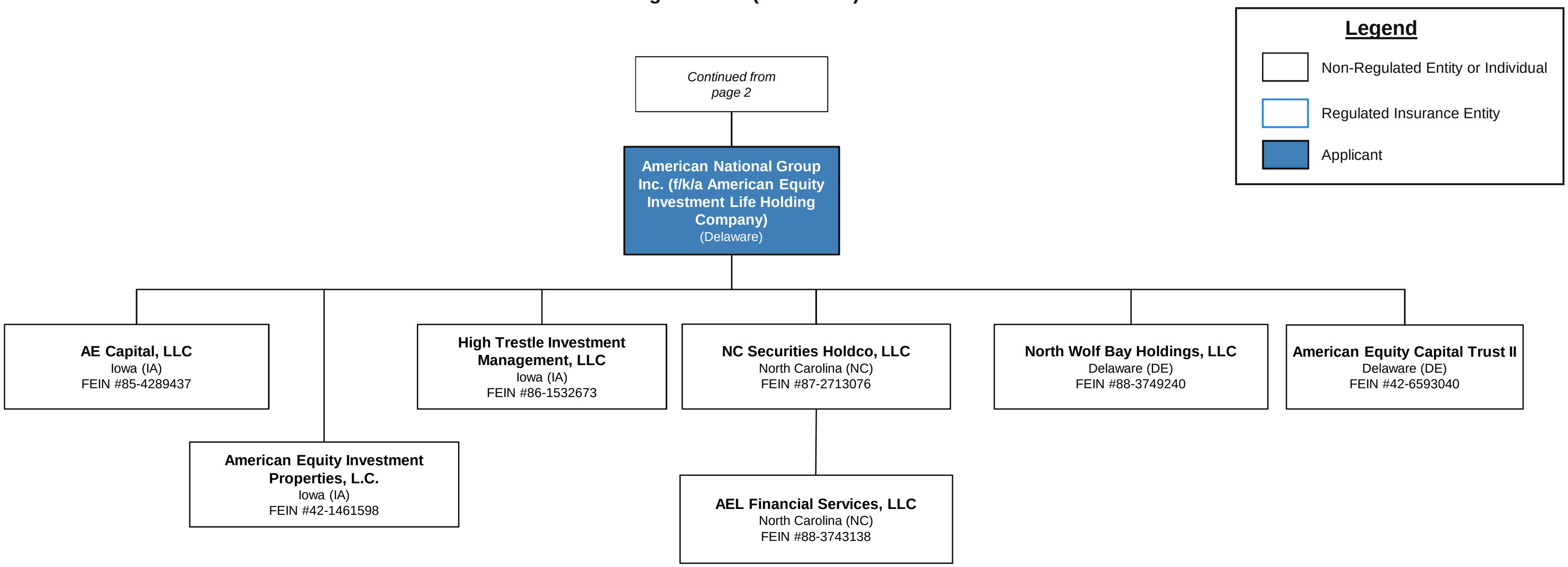
6) This chart reflects that American National Group, LLC will merge with and into American Equity Investment Life Holding Company, with American Equity Investment Life Holding Company surviving the merger and being re-domiciled from Iowa to Delaware and renamed "American National Group Inc."

7) On February 8, 2023, Argo Group International Holdings, Ltd. ("Argo Group"), Brookfield Reinsurance and BNRE Bermuda Merger Sub. entered into an agreement to acquire Argo Group. The acquisition closed on November 16, 2023.

Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

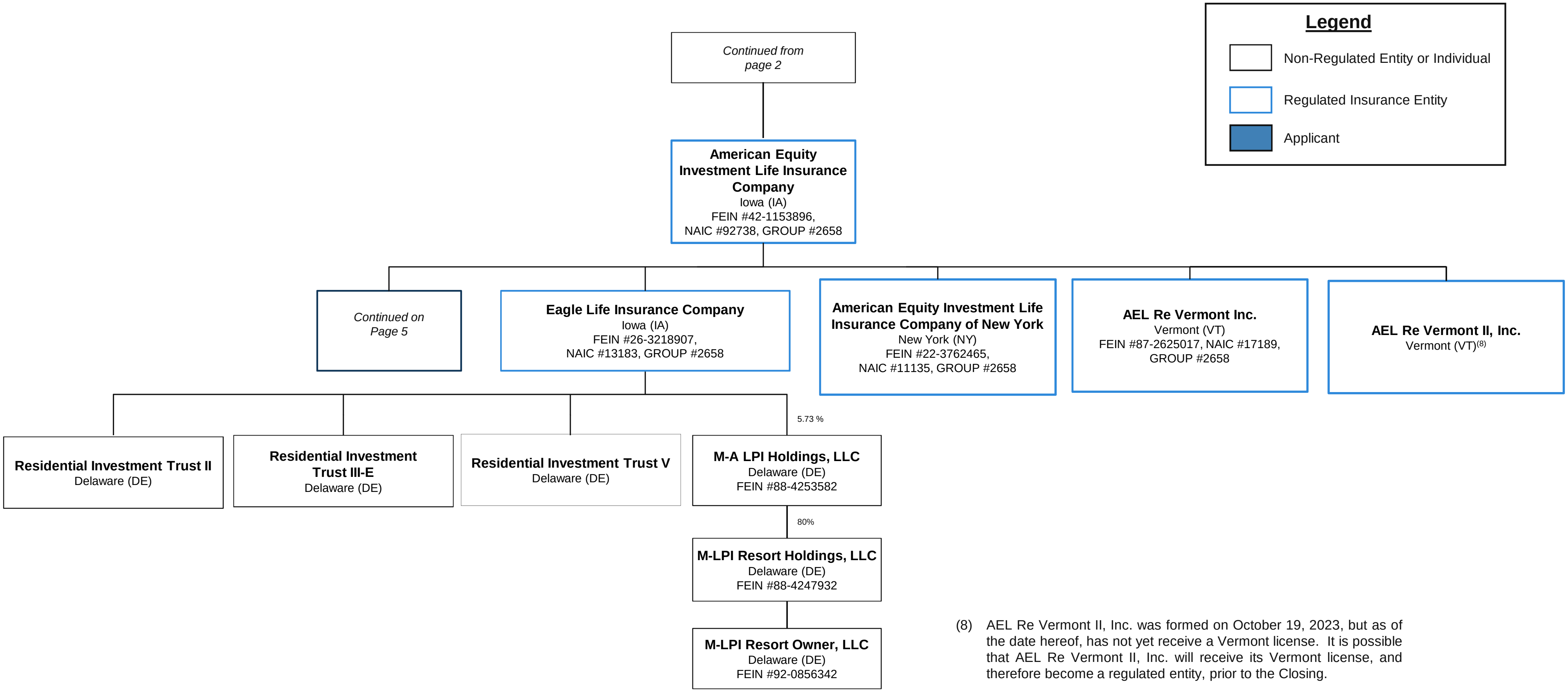
Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Following Consummation of the Internal Reorganization (continued)



Notes:

- All ownership 100%, unless otherwise noted.

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Following Consummation of the Internal Reorganization (continued)

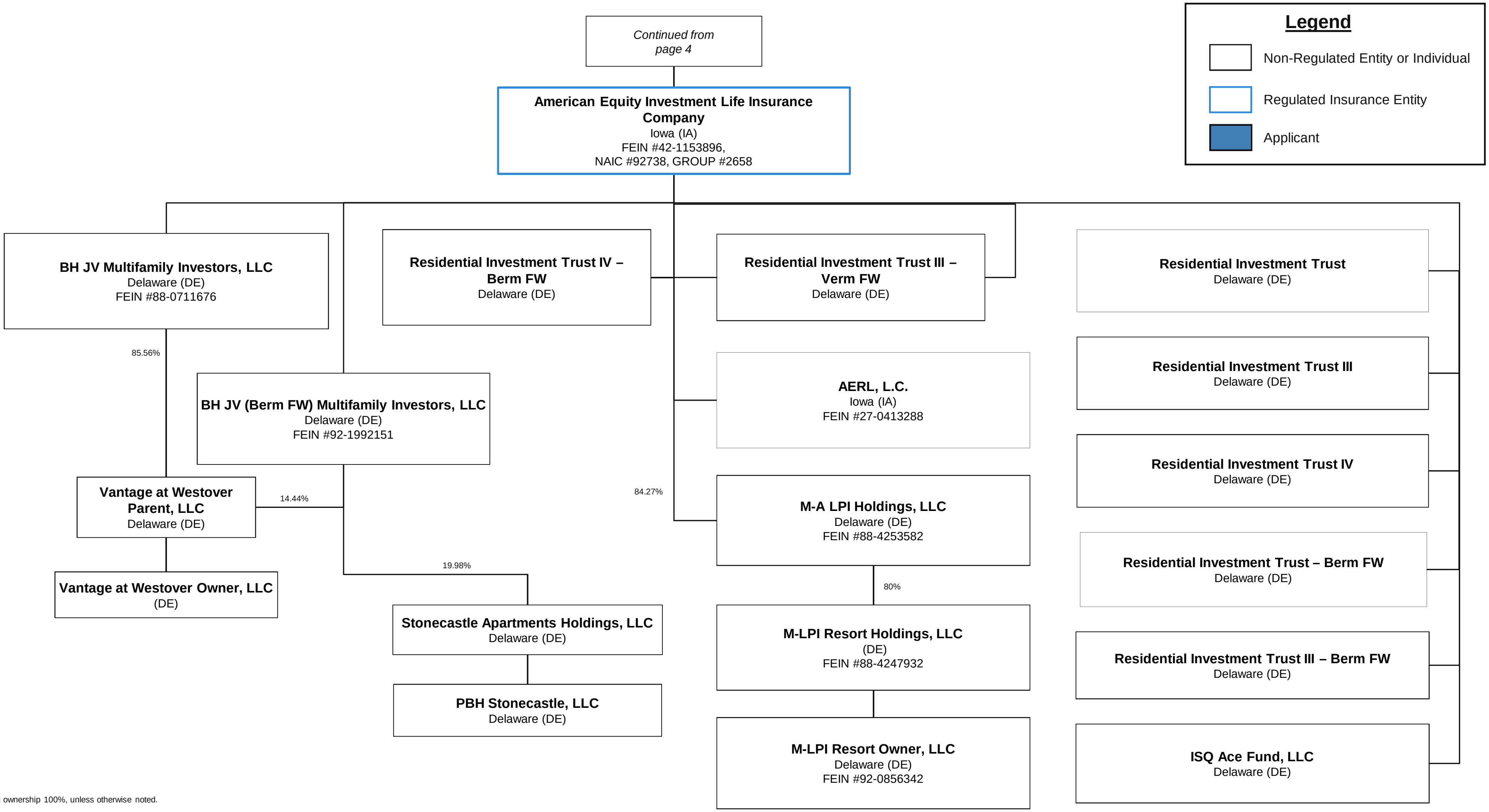


(8) AEL Re Vermont II, Inc. was formed on October 19, 2023, but as of the date hereof, has not yet receive a Vermont license. It is possible that AEL Re Vermont II, Inc. will receive its Vermont license, and therefore become a regulated entity, prior to the Closing.

Notes:

- All ownership 100%, unless otherwise noted.
- This organizational chart omits certain holding companies and administrative companies within Brookfield Reinsurance Ltd.'s structure.

Abbreviated Post-Closing Organizational Chart of the Domestic Insurers and Applicants Following Consummation of the Internal Reorganization (continued)



Notes:

- All ownership 100%, unless otherwise noted.

EXHIBIT 4(a)

Directors and Executive Officers of Applicants

EXHIBIT 4(a)

Directors and Executive Officers of Applicants

Form A Applicant	Name	Position	Business Address
American National Group, LLC	Anne Schaumburg	Manager	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Gregory Ernest Alexander Morrison	Manager	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Sachin Girish Shah	Manager	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Jonathan Bayer[†]	Manager & Chairman	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Timothy A. Walsh[††]	President & Chief Executive Officer	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	John (Jack) F. Simon[††]	Executive Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Brody J. Merrill[††]	Senior Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Matthew R. Ostiguy[††]	Senior Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Garrett K. Williams[††]	Senior Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Gretta G. Bassett[†]	Assistant Secretary	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
ANG Midco I LLC	Paul Gilchrist Forestell	Manager & Managing Partner	c/o ANG Midco I LLC 250 Vesey Street, Floor 15 New York, New York 10281
	Jonathan Scott Bayer[†]	Manager & Managing Partner	c/o ANG Midco I LLC 250 Vesey Street, Floor 15 New York, New York 10281
ANG Topco I LLC	Paul Gilchrist Forestell	Manager & Managing Partner	c/o ANG Topco I LLC 250 Vesey Street, Floor 15 New York, New York 10281
	Jonathan Scott Bayer[†]	Manager & Managing Partner	c/o ANG Topco I LLC 250 Vesey Street, Floor 15 New York, New York 10281

[†] Individuals' biographical affidavits were submitted to the Department in connection with this Application.

[††] Individuals submitted biographical affidavits to the Department in connection with the Application for Garden State Life Insurance Company on June 26, 2023 (with the exception of G. Williams, whose biographical affidavit was submitted on June 29, 2023).

Form A Applicant	**Name**	**Position**	**Business Address**
BAMR US Holdings LLC	Paul Gilchrist Forestell	Manager & Managing Partner	c/o BAMR US Holdings LLC 250 Vesey Street, Floor 15 New York, New York 10281
	Jonathan Scott Bayer[†]	Manager & Managing Partner	c/o BAMR US Holdings LLC 250 Vesey Street, Floor 15 New York, New York 10281
BAMR US Holdings (Bermuda) I Ltd.	Gregory Noel McConnie	Director, President	c/o BAMR US Holdings (Bermuda) I Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Gregory Ernest Alexander Morrison	Director	c/o BAMR US Holdings (Bermuda) I Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Seamus Michael MacLoughlin[†]	Director	c/o BAMR US Holdings (Bermuda) I Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Anna Margaret Knapman-Scott	Secretary	c/o BAMR US Holdings (Bermuda) I Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
BAM Re Holdings Ltd.	Gregory Noel McConnie	Director, President	c/o BAM Re Holdings Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Gregory Ernest Alexander Morrison	Director	c/o BAM Re Holdings Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Seamus Michael MacLoughlin[†]	Director	c/o BAM Re Holdings Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Anna Margaret Knapman-Scott	Secretary	c/o BAM Re Holdings Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
Brookfield Reinsurance Ltd.	William John Cox	Class A Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Anne Schaumburg	Class A Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Lars Eric Nils Rodert	Class A Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road

Form A Applicant	Name	Position	Business Address
			Pembroke, HM 08, Bermuda
	Soonyoung Chang	Class A Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Michele Coleman Mayes†	Proposed Class A Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Sachin Girish Shah	Class B Director & CEO	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Gregory Ernest Alexander Morrison	Class B Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Barry Stuart Blattman	Class B Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Jay Steven Wintrob	Class B Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Lori Anne Pearson†	Proposed Class B Director	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Lorenzo Fernando Manalac Lorilla†	CIO	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Thomas Douglas Corbett	CFO	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Paul Gilchrist Forestell	COO	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	Gregory Noel McConnie	Vice President	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda
	James Alexander Bodi	Vice President	c/o Brookfield Reinsurance Ltd. Ideation House, First Floor 94 Pitts Bay Road Pembroke, HM 08, Bermuda

Form A Applicant	Name	Position	Business Address
BAM Re Partners Trust	No directors or officers.		
BAM Re Trustee Ltd.	James Bruce Flatt	Director & Vice President	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Brian William Kingston	Director & President	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Anuj Ranjan	Director & Vice President	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Katayoon Sarpash	Vice President	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Walkers Corporate (Bermuda) Limited	Corporate Secretary	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
Partners FC Ltd.	James Bruce Flatt	Director	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Anuj Ranjan	Director	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Walkers Corporate (Bermuda) Limited	Corporate Secretary	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
Partners FC II Ltd.	James Bruce Flatt	Director	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Anuj Ranjan	Director	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
	Walkers Corporate (Bermuda) Limited	Corporate Secretary	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda
Partners BK Ltd.	Brian Kingston	Director	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road

Form A Applicant	Name	Position	Business Address
			Hamilton, HM11, Bermuda
	Walkers Corporate (Bermuda) Limited	Corporate Secretary	c/o Walkers Corporate (Bermuda) Limited Park Place 55 Par-la-Ville Road Hamilton, HM11, Bermuda

EXHIBIT 4(b)

Directors and Executive Officers of Merger Sub, AEL Holdco, ANAT and ANGI

EXHIBIT 4(b)

Directors and Executive Officers of Merger Sub, AEL Holdco, ANAT and ANGI

Entity	Name	Current Position	Business Address
Arches Merger Sub Inc.	Jonathan Scott Bayer	Director, Vice President & Treasurer	c/o Arches Merger Sub Inc. 250 Vesey Street, Floor 15 New York, New York 10281
	Paul Gilchrist Forestell	Director, Vice President & Secretary	c/o Arches Merger Sub Inc. 250 Vesey Street, Floor 15 New York, New York 10281
American Equity Investment Life Holding Company	Anant Bhalla[ǂ]	Chief Executive Officer and President	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Axel André	Executive Vice President and Chief Financial Officer	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Kate Etinger	Executive Vice President and Chief People Officer	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Jeffrey D. Lorenzen	Executive Vice President and Chief Risk Officer	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	James L. Hamalainen	Executive Vice President and Chief Investment Officer	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Nicholas P. Volpe	Executive Vice President and Chief Technology Officer	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Dewayne Lummus	Senior Vice President and Chief Accounting Officer	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Shari Wood	Chief of Staff and Secretary	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Scott Peterson	Treasurer	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Alfredo Cantoral	Vice President and Associate General Counsel – Investments	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Sanjeev Doss	Senior Vice President, Assistant General Counsel and Head of Tax	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Ejaz Haroon	Vice President and Head of Enterprise Risk Management	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266

ǂ Mr. Bhalla will resign from his positions as Chief Executive Officer and director of AEL Holdco effective as of Closing, and will not be appointed as a director or officer of the Surviving Holdco.

Entity	Name	Current Position	Business Address
	Lisa M. McQuerrey	Vice President	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Joyana M. Pilquist	Vice President – Investments	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Mark A. Schuman	Vice President and Associate General Counsel, Securities and Corporate Governance, and Assistant Secretary	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
	Steven D. Schwartz	Vice President – Investor Relations	c/o American Equity Investment Life Holding Company 6000 Westown Parkway West Des Moines, IA 50266
American National Group, LLC	Anne Schaumburg	Manager	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Gregory Ernest Alexander Morrison	Manager	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Sachin Girish Shah	Manager	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Jonathan Bayer	Manager & Chairman	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Timothy A. Walsh	President & Chief Executive Officer	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	John (Jack) F. Simon	Executive Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Brody J. Merrill	Senior Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Matthew R. Ostiguy	Senior Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Garrett K. Williams	Senior Vice President	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550
	Gretta G. Bassett	Assistant Secretary	c/o American National Group, LLC One Moody Plaza Galveston, TX 77550

Directors and Officers of ANGI, the Surviving Holdco

Entity	**Name**	**Post-Closing Position**[‡‡]
American National Group Inc. (the Surviving. Holdco)	Anne Schaumburg	Director
	Gregory Ernest Alexander Morrison	Director
	Sachin Girish Shah	Director
	Jonathan Bayer	Director & Chairman
	Axel André	Executive Vice President and Chief Financial Officer
	Kate Etinger	Executive Vice President and Chief People Officer
	Jeffrey D. Lorenzen	Executive Vice President and Chief Risk Officer
	James L. Hamalainen	Executive Vice President and Chief Investment Officer
	Nicholas P. Volpe	Executive Vice President and Chief Technology Officer
	Dewayne Lummus	Senior Vice President and Chief Accounting Officer
	Shari Wood	Chief of Staff and Secretary
	Scott Peterson	Treasurer
	Alfredo Cantoral	Vice President and Associate General Counsel – Investments
	Sanjeev Doss	Senior Vice President, Assistant General Counsel and Head of Tax
	Ejaz Haroon	Vice President and Head of Enterprise Risk Management
	Lisa M. McQuerrey	Vice President
	Joyana M. Pilquist	Vice President – Investments
	Mark A. Schuman	Vice President and Associate General Counsel, Securities and Corporate Governance, and Assistant Secretary
	Steven D. Schwartz	Vice President – Investor Relations
	Timothy A. Walsh	President & Chief Executive Officer
	John (Jack) F. Simon	Executive Vice President
	Brody J. Merrill	Senior Vice President
	Matthew R. Ostiguy	Senior Vice President
	Garrett K. Williams	Senior Vice President
	Gretta G. Bassett	Assistant Secretary

[‡‡] Denotes the current officer titles at American National Group, LLC and American Equity Investment Life Holding Company, respectively.

Exhibit 5*

Biographical Affidavits

[*On file with the Division as part of the Original Application.*]

CONFIDENTIAL

Exhibit 6*

Description of Sources, Uses and Nature of Consideration

CONFIDENTIAL

Exhibit 7*

Future Plans of Insurer

CONFIDENTIAL

Exhibit 8

Guaranty

CONFIDENTIAL

Exhibit 9*

Three-Year Financial Projections

CONFIDENTIAL

Exhibit 9a

Three-Year Financial Projections of AEILIC

CONFIDENTIAL

Exhibit 9b

Three-Year Financial Projections of Eagle

CONFIDENTIAL

EXHIBIT 10

Voting Agreement

VOTING AGREEMENT (this "Agreement") dated as of July 4, 2023, among American Equity Investment Life Holding Company, an Iowa corporation (the "Company"), and each party listed on Schedule A hereto (each, a "Stockholder" and, collectively, the "Stockholders"). The Company and Stockholders are each referred to in this Agreement as a "party" and collectively as the "parties".

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Company, Brookfield Reinsurance Ltd., a Bermuda exempted company limited by shares ("Parent"), Arches Merger Sub Inc., an Iowa corporation and wholly owned subsidiary of Parent, and, solely for the limited purposes set for therein, Brookfield Asset Management Ltd., a company incorporated under the laws of the Province of British Columbia, have entered into an Agreement and Plan of Merger dated as of the date hereof (the "Merger Agreement"; capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement);

WHEREAS, each Stockholder owns the number of shares of Common Stock set forth opposite its name on Schedule A hereto (such shares of Common Stock, together with any other shares of Common Stock acquired by such Stockholder after the date hereof and during the term of this Agreement, being collectively referred to herein as the "Subject Shares" of such Stockholder); and

WHEREAS, as a condition to its willingness to enter into the Merger Agreement, the Company has requested that each Stockholder enter into this Agreement.

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

SECTION 1. *Representations and Warranties of Each Stockholder*. Each Stockholder hereby, severally and not jointly, represents and warrants to the Company as of the date hereof in respect of itself as follows:

(a) Authority; Execution and Delivery; Enforceability. The Stockholder has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by the Stockholder of this Agreement, the performance by it of its obligations hereunder and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such Stockholder. The Stockholder has duly executed and delivered this Agreement, and, assuming this Agreement constitutes a valid and binding obligation of the Company, this Agreement constitutes a legal, valid and binding obligation of the Stockholder, enforceable against it in accordance with its terms, except, in each case, as enforcement may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity.

(b) No Conflicts; Consents.

(i) The execution and delivery by the Stockholder of this Agreement and the performance by it of its obligations hereunder do not, and the consummation by it of the transactions contemplated hereby and compliance with the terms hereof will not, (A) conflict with, or result in any violation of any provision of, the organizational documents of such Stockholder, (B) conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancelation or acceleration of any obligation or to loss of a material benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements of any person under, or result in the creation of any Lien upon any of the properties or assets of such Stockholder under, any provision of any material Contract to which such Stockholder is a party or by which any of its properties or assets is bound (other than any Contract to which the Company or any Subsidiary of the Company is a party or by which any of their respective properties or assets is bound) or (C) conflict with, or result in any violation of any provision of, subject to the filings and other matters referred to in Section 1(b)(ii), any judgments, decrees and orders of Governmental Authorities or Law, in each case applicable to such Stockholder or its properties or assets, other than, in the case of clauses (B) and (C) above, any such items that, individually or in the aggregate, would not reasonably be expected to prevent or materially impair the ability of the Stockholder to perform its obligations hereunder or to consummate the transactions contemplated hereby.

(ii) No Consent of or from, or registration, declaration, notice or filing with or made to, any Governmental Authority, or the expiry of any related waiting period, is required to be obtained or made by or with respect to the Stockholder in connection with the execution, delivery and performance by the Stockholder of this Agreement or the consummation by it of the transactions contemplated hereby, other than (A) the filing with the SEC of such reports under Section 13 and Section 16 of the Exchange Act as may be required in connection with this Agreement, the Merger Agreement and the transactions contemplated hereby and thereby, (B) any filings or Consents contemplated by the Merger Agreement and (C) such other items that the failure of which to obtain or make, individually or in the aggregate, would not reasonably be expected to prevent or materially impair the ability of the Stockholder to perform its obligations hereunder or to consummate the transactions contemplated hereby.

(c) The Subject Shares. The Stockholder is the record and beneficial owner of, and has good and valid title to, the Subject Shares, free and clear of any Liens. As of the date hereof, the Stockholder does not own, of record or beneficially, any shares of capital stock of the Company other than the Subject Shares set forth opposite its name on Schedule A attached hereto. None of the Stockholder's Subject Shares is subject to any voting trust or other agreement, arrangement or restriction with respect to the voting or the transfer of such Stockholder's Subject Shares, except as set forth in this Agreement, the organizational documents of the Company or the Investment Agreement, dated October 17, 2020, by and among the Company, Brookfield Corporation (formerly, Brookfield Asset Management Inc.), and the Stockholders (as successors and assigns of Burgundy Acquisitions I Ltd.) (as amended, restated or otherwise modified from time to time, the "Investment Agreement").

SECTION 2. *Representations and Warranties of the Company*. The Company hereby represents and warrants to each Stockholder as follows:

(a) Authority; Execution and Delivery; Enforceability. The Company has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by the Company of this Agreement, the performance by it of its obligations hereunder and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company. The Company has duly executed and delivered this Agreement, and, assuming this Agreement constitutes a valid and binding obligation of the Stockholders, this Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except, in each case, as enforcement may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity.

(b) No Conflicts; Consents.

(i) The execution and delivery by the Company of this Agreement and the performance by it of its obligations hereunder do not, and the consummation by it of the transactions contemplated hereby and compliance with the terms hereof will not, (A) conflict with, or result in any violation of any provision of, the Company Charter or the Company Bylaws, (B) conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancelation or acceleration of any obligation or to loss of a material benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements of any person under, or result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary of the Company under, any provision of any material Contract to which the Company or any Subsidiary of the Company is a party or by which any of their properties or assets are bound (other than any Contract to which either Stockholder is a party or by which any of their respective properties or assets are bound) or (C) conflict with, or result in any violation of any provision of, subject to the filings and other matters referred to in Section 2(b)(ii), any judgments, decrees and orders of Governmental Authorities or Law, in each case applicable to the Company or any Company Subsidiary or their respective properties or assets, other than, in the case of clauses (B) and (C) above, any such items that, individually or in the aggregate, would not reasonably be expected to prevent or materially impair the ability of the Company to perform its obligations hereunder or to consummate the transactions contemplated hereby.

(ii) No Consent of or from, or registration, declaration, notice or filing with or made to, any Governmental Authority, or the expiry of any related waiting period, is required to be obtained or made by or with respect to the Company in connection with the execution, delivery and performance by it of this Agreement or the consummation by it of the transactions contemplated hereby other than (A) the filing with the SEC of (1) the Proxy Statement and (2) such reports under Section 13 and Section 16 of the Exchange Act as may be required in connection with this Agreement, the Merger Agreement and the transactions contemplated hereby and thereby, (B) any filings or Consents contemplated by the Merger Agreement and (C) such other items that the failure of which to obtain or make, individually or in the aggregate, would not reasonably be expected to prevent or materially impair the ability of the Company to perform its obligations hereunder or to consummate the transactions contemplated hereby.

SECTION 3. *Covenants of Each Stockholder.* Unless this Agreement is terminated in accordance with its terms, each Stockholder, severally and not jointly, covenants and agrees as follows:

(a) At any meeting of the shareholders of the Company called to seek the Required Shareholder Approval or at any adjournment thereof or in any other circumstances upon which a vote, consent or other approval (including by written consent) with respect to the Merger Agreement or the Merger is sought, the Stockholder shall, including by executing a written consent solicitation if requested by the Company, cause its Subject Shares to be present in person or by proxy for purposes of constituting a quorum and vote (or cause to be voted) the Subject Shares of the Stockholder in favor of granting the Required Shareholder Approval.

(b) At any meeting of stockholders of the Company or at any adjournment thereof or in any other circumstances upon which the Stockholder's vote, consent or other approval (including by written consent) is sought, the Stockholder shall cause its Subject Shares to be present in person or by proxy for purposes of constituting a quorum and vote (or cause to be voted) the Subject Shares against (i) any Takeover Proposal and (ii) any amendment of the Company Charter or the Company Bylaws or other proposal or transaction involving the Company or any Subsidiary of the Company, which amendment or other proposal or transaction would in any manner impede, frustrate, prevent or nullify any provision of the Merger Agreement or the Merger. The Stockholder shall not commit or agree to take any action inconsistent with the foregoing.

(c) Other than this Agreement, the Stockholder shall not (i) sell, transfer, pledge, assign or otherwise dispose of (including by gift) (collectively, "Transfer"), or enter into any Contract, option or other arrangement (including any profit-sharing arrangement) with respect to the Transfer of, any Subject Shares to any person other than pursuant to the Transactions, unless prior to any such Transfer the transferee of such Stockholder's Subject Shares is a party to this Agreement, enters into a voting agreement with the Company on terms substantially identical to the terms of this Agreement or agrees to become a party to this Agreement pursuant to a customary joinder agreement, or (ii) enter into any voting arrangement, whether by proxy, voting agreement or otherwise, with respect to any Subject Shares and shall not commit or agree to take any of the foregoing actions.

SECTION 4. *Waiver.*

(a) The Company hereby waives compliance by the Stockholders with the terms and conditions of:

(i) Section 7.4 of the Investment Agreement to the extent that such terms and conditions would require the Stockholders to dispose of any Common Stock;

(ii) Section 7.5 of the Investment Agreement to the extent necessary to permit Parent to exercise its rights pursuant to Section 7.03 of the Merger Agreement; and

(iii) Section 7.7 of the Investment Agreement, solely in order for the Stockholders to comply with their obligations set forth in Sections 3(a) and 3(b) and to the extent that such terms and conditions would require the Stockholders to vote any of the Subject Shares in the same proportion as the unaffiliated shareholders of the Company with respect to vote any matter described in Sections 3(a) and 3(b).

(b) The waivers in Sections 4(a) shall expire upon the termination of the Merger Agreement in accordance with its terms.

SECTION 5. *Termination.* This Agreement shall terminate, other than with respect to the liability of any party for breach hereof prior to such termination, upon the earliest of: (a) the Effective Time; (b) the termination of the Merger Agreement in accordance with its terms; (c) at any time prior to the time, but not after, the Required Shareholder Approvals are obtained, if the Company Board, or any committee thereof has made an Adverse Recommendation Change; and (d) the termination of this Agreement by the mutual written consent of the parties.

SECTION 6. *Additional Matters.* Each Stockholder shall, from time to time, execute and deliver, or cause to be executed and delivered, such additional or further consents, documents and other instruments as the Company may reasonably require for the purpose of effectively carrying out the transactions contemplated by this Agreement.

SECTION 7. *General Provisions*.

(a) Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

(b) Notices. All notices, requests and other communications to any party hereunder shall be in writing and shall be deemed given if delivered personally, emailed or sent by overnight courier (providing proof of delivery) to the parties at the following addresses

(i) if to any Stockholder, to:

Brookfield Reinsurance Ltd.
Ideation House, 1st Floor
94 Pitts Bay Road
Pembroke, HM08, Bermuda
Attention: Anna Knapman-Scott
Email: anna.knapmanscott@northendre.com

and to the applicable address of such Stockholder set forth in Schedule A hereto, with a copy to (which will not constitute notice to any Stockholder):

Cravath, Swaine & Moore LLP
825 Eighth Avenue
New York, New York 10019
Attention: Richard Hall
David J. Perkins
Email: rhall@cravath.com
dperkins@cravath.com

and

(ii) if to the Company, to:

American Equity Investment Life Holding Company
6000 Westown Parkway
West Des Moines, Iowa 50266
Attention: Shari Wood
Email: swood@american-equity.com

with a copy to (which will not constitute notice to the Company):

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: H. Rodgin Cohen
Melissa Sawyer
Stephen M. Kotran

Email: cohenhr@sullcrom.com
sawyerm@sullcrom.com
kotrans@sullcrom.com

or such other address or email address as such party may hereafter specify by like notice to the other parties. All such notices, requests and other communications shall be deemed received on the date of actual receipt by the recipient thereof if received prior to 5:00 p.m. local time in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

(c) Interpretation. When a reference is made in this Agreement to an Article, Section or subsection, such reference shall be to an Article, Section or subsection to this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The words "hereof", "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if". The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. Any agreement, instrument or Law defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or Law as from time to time amended, modified or supplemented, unless otherwise specifically indicated. References to a person are also to its permitted successors and assigns. Each of the parties has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all of the parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of authorship of any of the provisions of this Agreement.

(d) Severability. If any term, condition or other provision of this Agreement is finally determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any applicable Law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable Law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

(e) Counterparts. This Agreement may be executed in one or more counterparts (including by electronic mail), each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

(f) Entire Agreement; No Third-Party Beneficiaries. This Agreement (i) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and (ii) is not intended to confer upon any person (including any shareholder of any party) other than the parties any rights or remedies.

(g) Governing Law; Consent to Jurisdiction.

(i) This Agreement shall be governed by, and construed in accordance with, the Laws of the State of Iowa applicable to contracts executed in and to be performed entirely within that state, regardless of the laws that might otherwise govern under any applicable conflict of laws principles.

(ii) All Actions arising out of or relating to the interpretation and enforcement of the provisions of this Agreement and in respect of the Transactions shall be heard and determined in the Iowa District Court for Polk County, or, if the Iowa District Court declines to accept jurisdiction over a particular matter, any federal court within the State of Iowa, or, if both the Iowa District Court and the federal courts within the State of Iowa decline to accept jurisdiction over a particular matter, any other state court within the State of Iowa, and, in each case, any appellate court therefrom. The parties hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such Actions and irrevocably waive the defense of an inconvenient forum or lack of jurisdiction to the maintenance of any such Action. The consents to jurisdiction and venue set forth in this Section 7(g)(ii) shall not constitute general consents to service of process in the State of Iowa and shall have no effect for any purpose except as provided in this paragraph and shall not be deemed to confer rights on any Person other than the parties. Each party agrees that service of process upon such party in any Action arising out of or relating to this Agreement shall be effective if notice is given by overnight courier at the address set forth in Section 7(b). The parties agree that a final judgment in any such Action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law; provided, however, that nothing contained in the foregoing shall restrict any party's rights to seek any post-judgment relief regarding, or any appeal from, a final trial court judgment.

(h) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of Law or otherwise, by any of the parties without the prior written consent of the other parties. No assignment by any party shall relieve such party of any of its obligations hereunder. Subject to the immediately preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and permitted assigns. Any purported assignment not permitted under this Section 7(h) shall be null and void.

(i) Enforcement. This Agreement is intended to be a voting agreement under Section 490.731 of the Iowa Business Corporations Act ("IBCA") and shall be specifically enforceable as provided in the IBCA. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, and that monetary damages, even if available, would not be an adequate remedy therefor. It is accordingly agreed that, prior to the termination of this Agreement pursuant to Section 5, the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, without proof of actual damages (and each party hereby waives any requirement for the securing or posting of any bond in connection with such remedy), this being in addition to any other remedy to which they are entitled at law or in equity. The parties further agree not to assert that a remedy of specific performance is unenforceable, invalid, contrary to Law or inequitable for any reason, nor to assert that a remedy of monetary damages would provide an adequate remedy for any such breach.

(j) Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (C) IT MAKES SUCH WAIVER VOLUNTARILY AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 7(J).

[*Signature Page Follows.*]

IN WITNESS WHEREOF, each party has duly executed this Agreement, all as of the date first written above.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

by ______________________________

Name: Anant Bhalla
Title: Chief Executive Officer and President

FREESTONE RE LTD.

by ______________________________

Name:
Title:

NORTH END RE (CAYMAN) SPC acting for and on behalf of, its own account

by ______________________________

Name:
Title:

IN WITNESS WHEREOF, each party hereto has duly executed this Agreement, all as of the date first written above.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

by

Name:
Title:

FREESTONE RE LTD.

by

Name: Gregory McConnie
Title: Director

NORTH END RE (CAYMAN) SPC

by

Name: Gregory McConnie
Title: Chief Executive Officer

SCHEDULE A

Name and Address of Stockholder	Number of Shares of Common Stock Owned
Freestone Re Ltd. Ideation House, 1st Floor 94 Pitts Bay Road Pembroke, HM08, Bermuda Attention: Anna Knapman-Scott Email: anna.knapmanscott@northendre.com	3,857,184
North End RE (Cayman) SPC 18 Forum Lane, 2nd Floor Camana Bay, PO Box 30487 Grand Cayman KY1-1202, Cayman Islands Attention: Gregory McConnie Email: gregory.mcconnie@brookfield.com	12,028,979

EXHIBIT 11(a)

Audited Financial Statements of the Applicant
for the Years-Ended December 31, 2022, 2021 and 2020

Brookfield

2022

ANNUAL REPORT

Brookfield Reinsurance Ltd.

COMBINED CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD REINSURANCE LTD. AS AT DECEMBER 31, 2022 AND 2021, AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Reinsurance Ltd.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brookfield Reinsurance Ltd. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the combined consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated March 31, 2023, expressed an unqualified opinion on those financial statements.

As described in Management's Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at American National Group, LLC, which was acquired on May 25, 2022, and whose financial statements constitute 68% of total assets, 44% of revenues, and 56% of net income of the combined consolidated financial statement amounts as of and for the year ended December 31, 2022. Accordingly, our audit did not include the internal control over financial reporting at American National Group, LLC.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 31, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Reinsurance Ltd.

Opinion on the Financial Statements

We have audited the accompanying combined consolidated statements of financial position of Brookfield Reinsurance Ltd. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related combined consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes, and the schedule of the Condensed Financial Statements of Brookfield Reinsurance Ltd. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

American National Insurance Company Acquisition – Future policy benefits – Refer to Notes 2 and 3 to the financial statements

Critical Audit Matter Description

The Company acquired 100% of the equity of American National Insurance Company ("American National") and recognized an estimate of the initial fair value of net assets acquired, including future policy benefits. The estimate of the assumed future policy benefits required the use of complex valuation models using best estimate assumptions.

While there were a number of estimates and assumptions required to determine the initial fair value of the future policy benefits, the assumptions with the greatest estimation uncertainty are those related to discount rates, net to gross premium ratio and mortality assumptions. Auditing of certain valuation models and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related the valuation models and assumptions related to discount rates, net to gross premium ratio and mortality as it relates to the assumed future policy benefits included the following, among others:

- With the assistance of actuarial specialists, tested the reasonableness of valuation assumptions, by:
  - Evaluating whether management's assumptions were determined in accordance with actuarial principles and practices;
  - Testing the inputs used in the determination of discount rates, net to gross premium and mortality assumptions, including an assessment of the use of experience studies, and considering industry and other external sources of data, where applicable;
  - Analyzing management's interpretation and judgments based on the relative inputs, considering reasonable possible alternative assumptions, and considering industry and other external sources of data, where applicable.
- With the assistance of actuarial specialists, tested the appropriateness of valuation methodologies used in the estimation process by:
  - Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology;
  - Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected and key assumptions were incorporated in those actuarial models; and,
  - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's results.

Future Policy Benefits — Refer to Notes 2(aa) and 13 to the financial statements

Critical Audit Matter Description

The Company has significant future policy benefits representing the majority of its total liabilities. The Company uses different actuarial methodologies to determine future policy benefits depending on the nature of the underlying contract products and applicable jurisdictional guidance, as is permitted by IFRS 4, Insurance Contracts, some of which involve high levels of complexity.

While there are many assumptions which management makes to determine future policy benefits, excluding businesses acquired in the year, the assumptions with the greatest uncertainty are those related to mortality and surrender, lapse and withdrawal rates (collectively "policyholder behaviour"). These assumptions required subjective and complex auditor judgment in certain circumstances, including where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) the policyholder behaviour may be irrational. Auditing of certain valuation methodologies and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation methodologies and assumptions related to mortality and policyholder behaviour included the following, among others:

- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions, by:
    - Evaluating management's methods and assumptions in accordance with applicable actuarial principles and practices under actuarial standards of practice;
    - Testing inputs used in the determination of the mortality and policyholder behaviour assumptions; and,
    - Analyzing management's methods and interpretation of data used to adjust industry tables, applying industry guidance, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of data, where applicable.
- With the assistance of actuarial specialists, tested the appropriateness of valuation methodologies used in the estimation process by:
    - Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology;
    - Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected and key assumptions were incorporated in those actuarial models; and,
    - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's results.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 31, 2023

We have served as the Company's auditor since 2016.

COMBINED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DEC. 31 US$ MILLIONS	Note	2022	2021
Assets			
Cash and cash equivalents	4	**$ 2,145**	$ 393
Investments	4	**28,098**	4,943
Accrued investment income		**341**	21
Premiums due and other receivables		**436**	—
Reinsurance funds withheld	5	**5,610**	4,650
Derivative assets	4	**44**	146
Deferred tax asset	19	**531**	20
Property and equipment	6	**194**	2
Prepaid pension	25	**154**	—
Equity accounted investments	7	**1,673**	344
Deferred acquisition costs	8	**1,732**	776
Reinsurance assets	13,14	**570**	169
Investment properties	9	**562**	—
Other assets	10	**262**	29
Goodwill	3,11	**102**	—
Separate account assets	12	**1,045**	—
Total assets		**43,499**	11,493
Liabilities			
Future policy benefits	13	**15,771**	8,497
Policyholders' account balances	13	**14,310**	—
Policy and contract claims	14	**1,786**	—
Unearned premium reserve		**1,086**	—
Due to related parties	23	**309**	467
Reinsurance payable		**90**	75
Derivative liabilities	4	**38**	1
Other policyholder funds		**322**	—
Notes payable	4	**151**	—
Corporate borrowings	16	**2,160**	693
Subsidiary borrowings	16	**1,492**	—
Deferred revenue		**78**	82
Liabilities issued to reinsurance entities		**151**	167
Funds withheld liabilities	4	**10**	12
Preferred shares	20	**2,512**	—
Other liabilities	17	**731**	64
Separate account liabilities	12	**1,045**	—
Total liabilities		**42,042**	10,058
Equity			
Class A exchangeable and Class B		**432**	539
Class C		**1,017**	896
Non-controlling interests		**8**	—
Total equity		**1,457**	1,435
Total liabilities and equity		**$ 43,499**	$ 11,493

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	2022	2021	2020
Premiums				
Gross		**$ 4,910**	$ 7,163	$ 431
Ceded		**(650)**	(1)	(1)
Net premiums		**4,260**	7,162	430
Other policy revenue		**224**	—	—
Net investment income	4	**336**	1	84
Net investment results from funds withheld	4	**281**	78	—
Total revenues		**5,101**	7,241	514
Income from equity accounted investments	7	**222**	8	—
Benefits and claims paid on insurance contracts	14			
Gross		**2,019**	310	63
Ceded		**(384)**	(18)	(25)
Change in future policy benefits	13			
Gross		**2,150**	6,958	457
Ceded		**39**	22	11
Interest credited to policyholders' account balances		**156**	—	—
Commissions for acquiring and servicing policies		**412**	—	—
Changes in deferred acquisition costs	8	**(383)**	(44)	—
Other reinsurance expenses		**125**	19	—
Operating expenses	18	**433**	35	6
Interest expense		**196**	9	—
Total benefits and expenses		**4,763**	7,291	512
Net income (loss) before income taxes		**560**	(42)	2
Current tax expense	19	**(21)**	—	(1)
Deferred tax expense	19	**(47)**	(2)	—
Net income (loss) for the year		**$ 492**	$ (44)	$ 1
Attributable to:				
Brookfield Corporation[1]		**—**	5	1
Class A exchangeable and Class B shareholders[2]		**6**	3	—
Class C shareholders[2]		**484**	(52)	—
Non-controlling interests		**2**	—	—
		$ 492	$ (44)	$ 1
Net income (loss) per class C share				
Basic	21	**$ 15.68**	$ (2.58)	

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the periods June 28, 2021 onward. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	Note	**2022**	2021	2020
Net income (loss)		**$ 492**	$ (44)	$ 1
Other comprehensive income (loss) that will be reclassified to net income (loss)				
Equity accounted other comprehensive income (loss)	7	**—**	44	—
Net unrealized loss on available for sale securities		**(1,009)**	(55)	1
Net realized gain on derivatives		**29**	—	—
Income tax recovery (expense)	19	**186**	—	—
Foreign currency translation		**(19)**	(4)	2
Other comprehensive income (loss) that will not be reclassified to net income (loss)				
Defined benefit pension plan adjustment	25	**(12)**	—	—
Income tax recovery	19	**2**	—	—
Total other comprehensive (loss) income		**(823)**	(15)	3
Comprehensive (loss) income		**$ (331)**	$ (59)	$ 4
Attributable to:				
Brookfield Corporation[1]		**—**	6	4
Class A & B Shareholders[2]		**6**	3	—
Class C Shareholders[2]		**(339)**	(68)	—
Non-controlling interests		**2**	—	—
		$ (331)	$ (59)	$ 4

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the periods June 28, 2021 onward. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Class A exchangeable and Class B shareholders				Class C shareholders					
	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Loss	Class C shareholders	Non-controlling interests	Total Equity
Balance as at January 1, 2022	$ 536	$ 3	$ —	$ 539	$ 963	$ (51)	$ (16)	$ 896	$ —	$ 1,435
Changes in the year:										
Net income	—	6	—	**6**	—	484	—	**484**	**2**	**492**
Other comprehensive loss	—	—		**—**	—	—	(823)	**(823)**	**—**	**(823)**
Comprehensive income (loss)	—	6	—	**6**	—	484	(823)	**(339)**	**2**	**(331)**
Other items:										
Equity issuances	—	—	—	**—**	450	—	—	**450**	**11**	**461**
Distributions[1]	(59)	—	—	**(59)**	—	—	—	**—**	**(5)**	**(64)**
Derecognition of equity accounted investments	—	—	—	**—**	—	—	(44)	**(44)**	—	**$ (44)**
Other	(54)	—	—	**(54)**	54	—	—	**54**	**—**	**—**
Total change in the year	(113)	6	—	**(107)**	504	484	(867)	**121**	**8**	**22**
Balance as at December 31, 2022	**$ 423**	**$ 9**	**$ —**	**$ 432**	**$ 1,467**	**$ 433**	**$ (883)**	**$ 1,017**	**$ 8**	**$ 1,457**

1. The company distributed $0.14 in the form of a return of capital per each Class A exchangeable and Class B share in each quarter of 2022. In addition, the company completed a special distribution of shares of Brookfield Asset Management Ltd. (the "Manager shares") to the holders of the company's class A exchangeable shares and class B shares in the amount of $5.481 per share in the fourth quarter of 2022.

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Brookfield Corporation				Class A exchangeable and Class B shareholders				Class C shareholders					
	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Brookfield Corporation	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income	Class C shareholders	Non-controlling interests	Total Equity
Balance as at January 1, 2021	**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**
Changes in the year:														
Net income (loss)	—	5	—	**5**	—	3	—	**3**	—	(52)	—	**(52)**	**—**	**(44)**
Other comprehensive income (loss)	—	—	1	**1**	—	—	—	**—**	—	—	(16)	**(16)**	**—**	**(15)**
Comprehensive income	—	5	1	**6**	—	3	—	**3**	—	(52)	(16)	**(68)**	**—**	**(59)**
Other items:														
Equity issuances / Reorganization[1]	(78)	—	—	**(78)**	539	—	—	**539**	963	—	—	**963**	**—**	**1,424**
Return of capital[2]	—	—	—	**—**	(3)	—	—	**(3)**	—	—	—	**—**	—	**(3)**
Common control transaction adjustments[3]	—	(6)	(5)	**(11)**	—	—	—	**—**	—	1	—	**1**	**—**	**(10)**
Total change in the year	(78)	(1)	(4)	**(83)**	536	3	—	**539**	963	(51)	(16)	**896**	**—**	**1,352**
Balance as at December 31, 2021	**$ —**	**$ —**	**$ —**	**$ —**	**$ 536**	**$ 3**	**$ —**	**$ 539**	**$ 963**	**$ (51)**	**$ (16)**	**$ 896**	**$ —**	**$ 1,435**

1. See Note 1(b) for details regarding the Spin-off and reorganization.
2. The company distributed $0.13 in the form of a return of capital per each Class A exchangeable and Class B share in the third and fourth quarters of 2021.
3. See Note 2(c) for details regarding the common control transaction.

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Brookfield Corporation				Class A exchangeable and Class B shareholders				Class C shareholders					
	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Brookfield Corporation	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income	Class C shareholders	Non-controlling interests	Total Equity
Balance as at January 1, 2020	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**
Changes in the year:														
Net income	—	1	—	**1**	—	—	—	**—**	—	—	—	**—**	**—**	**1**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**—**	**3**
Comprehensive income	—	1	3	**4**	—	—	—	**—**	—	—	—	**—**	**—**	**4**
Other items:														
Equity issuances	13	—	—	**13**	—	—	—	**—**	—	—	—	**—**	**—**	**13**
Total change in the year	13	1	3	**17**	—	—	—	**—**	—	—	—	**—**	**—**	**17**
Balance as at December 31, 2020	**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Operating activities			
Net income	**$ 492**	$ (44)	$ 1
Non-cash items affecting net income			
Premiums received in kind	**(1,097)**	(167)	—
Amortization and accretion on investments	**(47)**	—	—
Depreciation	**13**	—	—
Unrealized losses on investments and derivatives	**452**	6	(51)
Effect of foreign exchange rates	**(8)**	—	—
Deferred income tax	**65**	2	1
Income from equity accounted investments	**(222)**	(8)	—
Interest credited to policyholders' account balances	**156**	—	—
Net capitalized interest on policy loans and mortgage loans	**(17)**	—	—
Realized gain on investments and derivatives	**21**	(23)	—
Changes in non-cash balances related to operations			
Changes in accrued investment income	**(222)**	—	—
Changes in reinsurance funds withheld	**(960)**	(4,650)	—
Changes in deferred tax asset	**(6)**	(24)	—
Changes in prepaid pension	**(8)**	—	—
Changes in deferred acquisition costs	**(382)**	(776)	—
Changes in reinsurance assets	**50**	22	10
Changes in future policy benefits	**2,236**	7,152	457
Changes to policyholders' account balances	**(212)**	—	—
Changes in funds withheld liabilities	**—**	—	12
Changes in working capital and other	**384**	202	(1)
Operating activities affecting cash			
Income tax paid	**(52)**	—	—
Realized gains on investments and derivatives	**6**	(4)	(3)
Purchase of derivatives	**(66)**	(133)	—
Proceeds from disposal of derivatives	**45**	79	—
Dividend and interest income received	**(514)**	(53)	(27)
Other non-cash items	**—**	—	—
Cash flows from operating activities	**107**	1,581	399
Investing activities			
Acquisition of subsidiary, net of cash acquired	**(4,086)**	—	—
Dividends and interest received	**514**	53	27
Purchase of investments			
Corporate bonds	**(2,759)**	(1,480)	(971)
Government and treasuries	**(7,018)**	(2,755)	—
Private debt	**(503)**	(181)	—
Common equity	**(493)**	(644)	—
Preferred shares	**(42)**	—	—
Private equity and other	**(1,446)**	(235)	—
Asset-backed securities	**(16)**	—	—
Mortgages	**(1,398)**	(185)	—
Private loans	**(1,537)**	(512)	(4)
Purchase of short term investments	**(6,583)**	—	—

Proceeds from sales and maturities of investments			
Corporate bonds	**3,936**	386	561
Government and treasuries	**7,804**	1,615	—
Private debt	**143**	—	—
Common equity	**362**	20	—
Private equity and other	**138**	1	1
Asset-backed securities	**21**	—	—
Mortgages	**916**	18	—
Private loans	**58**	36	2
Proceeds from disposal of short term investments	**7,957**	—	—
Distributions from equity accounted investments	**233**	—	—
Change in collateral held for derivatives	**8**	—	—
Purchase of equity accounted investments	**(695)**	—	—
Purchase of investment properties	**(37)**	—	—
Proceeds from disposal of investment properties	**4**	—	—
Proceeds from disposal of derivative instruments	**146**	—	—
Proceeds from disposal of property and equipment	**5**	—	—
Purchase of intangibles and property and equipment	**(24)**	(1)	(1)
Other	**51**	—	—
Cash flows from investing activities	**(4,341)**	(3,864)	**(385)**
Financing activities			
Issuance of common equity	**450**	1,410	13
Issuance of preferred equity	**2,512**	—	—
Return of capital	**(6)**	(8)	—
Borrowings from related parties	**258**	960	—
Repayments of borrowings to related parties	**(633)**	(582)	—
Borrowings from external parties	**5,206**	693	—
Repayment of borrowings to external parties	**(2,239)**	—	—
Borrowings issued to reinsurance entities	**50**	167	—
Repayment of borrowings issued to reinsurance entities	**(100)**	—	—
Policyholders’ account deposits	**1,407**	—	—
Policyholders’ account withdrawals	**(896)**	—	—
Debt issuance costs	**(10)**	—	—
Payments to non-controlling interests	**(5)**	—	—
Proceeds from repurchase agreement	**388**	464	222
Repayments of repurchase agreement	**(388)**	(464)	(222)
Cash flows from financing activities	**5,994**	2,640	13
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**393**	35	13
Net change during the year	**1,760**	357	27
Foreign exchange on cash balances held in foreign currencies	**(8)**	1	(5)
Cash and cash equivalents, end of year	**$ 2,145**	$ 393	$ 35

Supplementary cash flow disclosures

Interest paid	**$ 85**	$ 8	$ —

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

(a) Brookfield Reinsurance Ltd.

Brookfield Reinsurance Ltd. (“Brookfield Reinsurance” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The company’s class A exchangeable shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol "BNRE". In December 2022, the company changed its name from Brookfield Asset Management Reinsurance Partners Ltd. to Brookfield Reinsurance Ltd. and changed its trading symbol from "BAMR" to "BNRE". The company’s operations are located primarily in Bermuda, the United States, Canada, and the Cayman Islands. The company’s registered head office is Ideation House, 1st Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda.

The company holds a direct 100% ownership interest in BAM Re Holdings Ltd. (“BAM Re Holdings”), which holds the company’s interest in its operating subsidiaries North End Re Ltd. (“NER Ltd.”), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC") and American National Insurance Group, LLC (“American National”).

The company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, the company offers a broad range of insurance products including life insurance and annuities, and personal and commercial property and casualty insurance. The business is presently conducted through our subsidiaries under three operating segments: Reinsurance, Pension Risk Transfer ("PRT") and Direct Insurance.

(b) Spin-off of Brookfield Reinsurance Ltd.

On June 28, 2021, Brookfield Corporation (“Brookfield”), formerly Brookfield Asset Management Inc., completed the spin-off of the company (the “Spin-off”), which was affected by way of a special dividend of the class A exchangeable limited voting shares (“class A exchangeable shares”) of the company to holders of Brookfield Class A limited voting shares (“Brookfield Class A Shares”) and Class B limited voting shares (“Brookfield Class B Shares”) as of June 18, 2021 (the “record date”). Pursuant to the special dividend, as of the record date, holders of Brookfield Class A Shares and Class B Shares received one class A exchangeable share for every 145 Brookfield Class A Shares or Class B Shares held. Brookfield holds all the class C non-voting shares (“class C shares”), giving it the residual economic interest in the company, but no voting interest in it.

Prior to the Spin-off, Brookfield effected a reorganization so that the company’s PRT business (the “Business”) and other investments that were historically owned and operated by Brookfield, through its operating entities, were acquired by BAM Re Holdings, a subsidiary of the company.

The following describes the transactions and agreements resulting from the Spin-off:

(i) Class A exchangeable shares

As part of the Spin-off, Brookfield subscribed for 11 million class A exchangeable shares for approximately $538 million in cash. Upon Spin-off, Brookfield distributed the 11 million class A exchangeable shares as a special dividend to the Brookfield shareholders who hold Brookfield Class A Shares and Brookfield Class B Shares.

(ii) Class B shares

As part of the Spin-off, holders of class B shares (“Brookfield Reinsurance Class B Partners”), through a voting trust, subscribed for 24,000 class B shares for $1 million.

(iii) Class C shares

As part of the Spin-off, Brookfield transferred its ownership in the Business along with its holdings of American Equity Investment Life Holding Company ("AEL Holdings") common shares and additional cash for working capital purposes to the company. The total value of the consideration provided to the company was approximately $712 million, which was exchanged for 17 million class C shares. In October 2021, the company issued an additional 7 million class C shares to Brookfield for consideration of $250 million. In May 2022, the company issued an additional 11 million class C shares to Brookfield for consideration of $450 million. As at December 31, 2022, there were 41 million class C shares outstanding (December 31, 2021 - 24 million). Brookfield owns all the issued and outstanding class C shares.

(iv) Equity Commitment

As part of the Spin-off, Brookfield provided to the company an equity commitment in the amount of $2.0 billion to fund future growth, which the company may draw on from time to time. The equity commitment may be called by the company in exchange for the issuance of a number of class C shares or junior preferred shares. Further details of the equity commitment are described in Note 23.

(v) Credit Agreement

As part of the Spin-off, the company entered into a credit agreement with Brookfield (the "Brookfield Credit Agreement") as lender on June 28, 2021, providing for a three-year revolving $200 million credit facility. On March 9, 2022, the revolving credit facility agreement was increased to $400 million. Further details of the Brookfield Credit Agreement are described in Note 23.

(vi) Support Agreement

As part of the Spin-off, the company entered into a support agreement with Brookfield (the "Support Agreement"). Brookfield has agreed to support the economic equivalence of the class A exchangeable shares and Brookfield Class A Shares for so long as class A exchangeable shares not owned by Brookfield are outstanding, and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable the company to pay quarterly distributions, the liquidation amount, or the amount payable on a redemption of class A exchangeable shares, as the case may be. Further details of the Support Agreement are described in Note 23.

(vii) Rights Agreement

As part of the Spin-off, the company entered into a rights agreement with Brookfield (the "Rights Agreement"), pursuant to which Brookfield has agreed that on the applicable specified exchange date with respect to any class A exchangeable shares submitted for exchange, Brookfield will satisfy, or cause to be satisfied, the obligations pursuant to our memorandum of association and by-laws to exchange such subject class A exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. Further details of the Rights Agreement are described in Note 23.

(viii) Administration Agreement

As part of the Spin-off, the company entered into an administration agreement with Brookfield (the "Administration Agreement"), pursuant to which Brookfield has agreed to provide administrative services to the company, including the services of our Chief Executive Officer and Chief Investment Officer and certain other administrative services, on a cost-recovery basis. On August 5, 2022, the Administration Agreement was amended to include providing the services of the Chief Financial Officer. Further details of the Administration Agreement are described in Note 23.

(ix) Investment Management Agreement

As part of the Spin-off, the company entered into one or more Investment Management Agreements appointing Brookfield as the investment manager of certain assets and accounts, including assets backing the liabilities assumed by the company under the insurance and future reinsurance arrangements, and any assets held as surplus. Further details of the Brookfield Investment Management Agreements are described in Note 23.

(x) Licensing Agreement

As part of the Spin-off, the company entered into a licensing agreement with Brookfield (the "Brookfield Licensing Agreement"), pursuant to which Brookfield has granted a non-exclusive, royalty-free sub-license to use the name "Brookfield" and the Brookfield logo. Further details of the Brookfield Licensing Agreement are described in Note 23.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Combined Consolidated Financial Statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars ("USD") rounded to the nearest million unless otherwise indicated.

The financial statements were authorized for issue by the Board of Directors of the company on March 31, 2023.

(b) Basis of Consolidation

The financial statements include the accounts of the company and its consolidated subsidiaries, which are the entities over which the company has control. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

(c) Continuity of Interest

As described above, Brookfield Reinsurance was established on December 10, 2020 by Brookfield and on June 28, 2021 Brookfield completed the spin-off of the Business to the company and the special dividend declaration to holders of Brookfield's Class A and B Shares. Brookfield controlled the Business prior to the Spin-off and has significant influence over the company subsequent to the spin-off through its interests in the company. The Business was transferred before spin-off, as part of the reorganization, and therefore the transactions were common control transactions. In accordance with the company's and Brookfield's accounting policy, the company has reflected the Business in its financial position and results of operations using Brookfield's carrying values prior to the spin-off.

In addition, certain investments were transferred as part of the reorganization. These are treated as asset acquisitions and are also considered common control transactions. The company's accounting policy is to record the common control asset acquisitions on the date of occurrence at the historical carrying value, with any gain or loss against the consideration paid being recorded in equity. To reflect this continuity of interest, these financial statements provide comparative information of the Business for the periods prior to the spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the spin-off have been reflected prospectively from the date of the spin-off and have not been reflected in the results of operations or financial position of the company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the company, including the adjustments associated with the spin-off and the execution of several agreements (see Note 23). Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

(d) Class A exchangeable shares

As described in Note 1 (b)(i), the company's equity interests include the class A exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield), plus unpaid distributions. Brookfield currently intends to satisfy any exchange requests on the class A exchangeable shares through the delivery of Brookfield Class A Shares rather than cash. Each class A exchangeable share, held on the record date, has voting rights and is entitled to cast one vote at a meeting of shareholders of the company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the company and as a result are not adjusted for changes in market value.

(e) Class B shares

As described in Note 1 (b)(ii), the company's equity interests include the class B shares held by Brookfield Reinsurance Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The Brookfield Reinsurance Class B Partners are entitled to one vote on any matter and can cast one vote for each class B share held at the record date.

The class B shares are classified as equity instruments. The class B shares are issued capital of the company and as a result are not adjusted for changes in market value.

(f) Class C shares

As described in Note 1 (b)(iii), the company's equity interests include the class C shares held by Brookfield. The class C shares are non-voting shares that are entitled to the residual economic interest in the company after payment in full of the amount due to holders of our class A exchangeable shares and our class B shares and subject to the prior rights of holders of the Preferred Shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the company and as a result are not adjusted for changes in market value.

(g) Preferred shares

On May 25, 2022, the company issued 98,351,547 Class A Junior Preferred Shares, Series 1 ("preferred shares"), to Brookfield, for proceeds of $2.5 billion. Each preferred share is non-voting and is redeemable at $25 per share. On December 9, 2022, Brookfield Reinsurance issued 2,108,733 Class A Junior Preferred Shares, Series 2 ("preferred shares") for $53 million to Brookfield. Each of these preferred shares is redeemable, together with any accrued and unpaid dividends, at the option of the issuer, subject to certain restrictions. Further, these preferred shares entitle the holders thereof to a fixed cumulative 4.5% preferential cash dividend payable annually as and when declared by the issuer's board of directors. At December 31, 2022, there was $67 million of accrued dividends (December 31, 2021 - $Nil).

The Class A Junior Preferred Shares are retractable by the holder, at par value together with an amount equal to all dividends accrued and unpaid, on demand, at any point on or after seventh anniversary of the date of issue. The preferred shares are recognized as liability due to the redemption nature on the Combined Consolidated Statements of Financial Position ("Statements of Financial Position") and are classified as amortized cost. The dividends are recognized as interest expense on the Combined Consolidated Statements of Operations ("Statements of Operations").

(h) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree, if applicable, is initially measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

Transaction costs are recorded as operating expenses on the Statements of Operations.

(i) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and short-term investments with original maturities of 90 days or less. The company classifies cash and cash equivalents at amortized cost.

Cash and cash equivalents exclude cash balances, demand deposits and short term investments that are for use by the company as part of the reinsurance funds withheld arrangement (Note 2(m)).

(j) Short term investments

Short term investments are primarily term deposit and commercial paper with original maturities of over 90 days and less than one year.

(k) Investments

Investments are financial assets which are comprised of debt securities, equity securities and loans and receivables. The company uses settlement date to account for private investment transactions and trade date to account for other investment transactions.

Financial assets are classified into one of the following categories:

- Available for sale ("AFS") assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- Fair value through profit or loss ("FVTPL") assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets supporting future policy benefits within our PRT business are classified as loans and receivables or designated as FVTPL. Financial assets supporting modified coinsurance reserves within reinsurance treaties are designated as FVTPL. Any changes in the fair value of the underlying assets matched to the future policy benefits are directly reflected in the future policy benefits. Unless the asset is deemed to be impaired, changes in the fair value of assets matching these liabilities and changes in the corresponding future policy benefits are directly recognized in the Statements of Operations in order to avoid a mismatch that would otherwise arise. Transaction costs related to FVTPL investments are recognized within net investment income on the Statements of Operations as incurred.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment. Transaction costs and certain fees the company receives related to loans and receivables are capitalized as a part of the carrying value at initial recognition.

Financial assets are classified according to their nature and use by the company at the time of initial recognition. The remaining financial assets other than FVTPL and loans and receivables are classified as AFS. Unrealized gains (losses) are recognized in other comprehensive income. Upon realization, gains or losses are reclassified to the Statements of Operations and recorded in net investment income. Transaction costs related to AFS investments are capitalized as a part of the carrying value at initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income and presented in realized gains (losses) on investments within net investment income.

(l) Derivative financial instruments and hedge accounting

The company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, cross currency swaps, interest rate swaps, equity-indexed options and bond futures. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in the fair value of derivatives are recorded in net investment income in the Statements of Operations.

Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is assurance that it will continue to be effective as a hedge based on an expectation of offsetting fair values. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. For those derivatives which qualify and have been designated as fair value hedges, net income includes the changes in the fair value of both the derivative instrument and the hedged risk. The hedged item carrying amount shall be adjusted for the gain or loss.

In some instances, the company holds collateral to offset exposure from its counterparties relating to its derivative instruments. Collateral that supports credit risk is reported in the Statements of Financial Position as an offset to other invested assets with an associated payable to other liabilities for excess collateral.

Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the Statements of Financial Position. Changes in the fair value are included in the net investment results from funds withheld in the Statements of Operations.

(m) Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which NER Ltd. and NER SPC, indirect wholly owned subsidiaries of the company, act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by NER Ltd. and NER SPC. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, NER Ltd. and NER SPC would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. and NER SPC have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by NER Ltd. and NER SPC. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments (Note 2(l)).

(n) Investment in associates, joint ventures and other limited partnership interests

Associates are entities over which the company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Other limited partnership interests are partnership arrangements in which the company has the ability to exercise significant influence over the investee's operations, but it does not have a controlling interest and is not the primary beneficiary.

The equity method is used to account for the company's investments in associates, joint ventures and other limited partnership interests within the Statements of Financial Position and the Statements of Operations.

Interests in associates, joint ventures and other limited partnership interests accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate or joint venture or other limited partnership interests is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate or joint venture or other limited partnership interests is greater than the company's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture or other limited partnership interests is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the company's interest in an associate or joint venture or other limited partnership interests is adjusted for the company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture or other limited partnership interests are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates or joint ventures or other limited partnership interests is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 7.

(o) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to thirty years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

(p) Intangible assets

Intangible assets consist of capitalized costs of estimated fair value of computer software, distributor relationships, trade name and insurance licenses. Intangible assets are included in other assets within the Statements of Financial Position.

Definite-lived intangible assets are carried at cost less accumulated amortization. Amortization expense is primarily calculated using the straight-line amortization method.

The company assesses the impairment of definite-lived intangible assets in accordance with its policy for the impairment of property and equipment. The company assesses the impairment of indefinite-lived intangible assets in accordance with its policy for the impairment of goodwill.

(i) Distributor Relationships

The distribution assets reflect relationships American National has with third-party intermediaries that sell new business for the company. These assets are valued using the multi-period excess-earnings method, which derives value based on the present value of the after-tax cash flows attributable to the intangible asset only. The average useful life of distributor relationships is 19 years.

(ii) Trade Name

This represents American National's trade name and was valued using the relief from royalty method, which derives value based on present value of the after-tax royalty savings attributable to owning the intangible asset. The useful life of the trade name is 10 years.

(iii) Insurance Licenses

Given the highly regulated nature of the insurance industry, companies are required to hold certain licenses to operate. These licenses are valued using the comparable transaction method based on observable license transactions in the insurance industry. Insurance licenses represent an indefinite-lived intangible asset.

(q) Deferred acquisition costs and value of business acquired

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance, reinsurance, and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

DAC on Reinsurance business is amortized over the life of the policies in proportion to the estimated gross profits. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as DAC to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances.

Effective October 1, 2022, the company made a change in accounting policy to treat the difference between the amount paid for reinsurance contracts and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts as the cost of reinsurance that is deferred and amortized over the reinsurance contract. This was applied retrospectively as it resulted in reliable and more relevant information about the effects of the reinsurance treaty on the company's financial conditions and performance.

DAC on traditional life, including limited-pay contracts, and health products is amortized with interest over the anticipated premium-paying period of the related policies in proportion to the ratio of annual premium revenue expected to be received over the life of the policies. Expected premium revenue is estimated by using the same mortality, morbidity, and withdrawal assumptions used in computing liabilities for future policy benefits.

DAC on universal life and investment-type contracts is amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect of the realization of unrealized gains (losses) on DAC is recognized in net unrealized loss on available for sale securities in the Statements of Financial Position as of the reporting date. A change in interest rates could have a significant impact on DAC calculated for these contracts.

DAC associated with property and casualty business is amortized over the coverage period of the related policies, in relation to premiums earned.

DAC on participating whole life products is amortized in proportion to estimated gross margins. Estimated gross margins are equal to premiums, plus investment income, less benefits, less expenses not included in DAC, less the change in reserves, less dividends.

For short-duration and long-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts.

Value of Business Acquired ("VOBA") is the intangible asset representing the value assigned to contracts already in force.

In conjunction with the acquisition of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from cash flows and earnings of associated insurance policies and investment contracts. This intangible asset is based on the actuarially estimated present value of future cash flows from associated insurance policies and investment contracts acquired. The estimated present value of future cash flows used in the calculation of VOBA is based on certain assumptions, including mortality, persistency, expenses and interest rates that the company believes to be those of a market participant. The company amortizes VOBA based on the estimated premium earning patterns.

(r) Reinsurance assets

In the normal course of business, BAC and American National are users of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC and American National remain liable to its policyholders for the portion reinsured.

Reinsurance assets are estimated amounts due to the company from reinsurers related to paid and unpaid ceded claims and claim adjustment expenses ("CAE") and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under our non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of IBNR using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and our estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

At each reporting date, the reinsurance assets, if any, are assessed for impairment. If there is objective evidence that the reinsurance assets are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

(s) Investment properties

Investment properties are held primarily to earn rental income or capital appreciation or for both, but are not for sale in the ordinary course of business. The company accounts for its investment properties in accordance with IAS 40 Investment Property ("IAS 40"). Investment properties including related improvements are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 15 to 50 years). Rental income is recognized on a straight-line basis over the term of the respective lease and is measured, depreciated and assessed for impairment in the same manner as property and equipment.

(t) Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is allocated to the cash-generating unit or units to which it relates. The company identifies cash-generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated value-in-use and fair value less costs of disposal. Impairment losses recognized in respect of a cash-generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash-generating unit. Any goodwill impairment is charged to profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. In the year of a business acquisition, the recoverability of the acquired goodwill is assessed by revisiting the assumptions of the related underwriting model.

The company assesses the impairment of goodwill by reviewing the value-in-use or fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The company uses the following significant assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating unit, discount rates, terminal capitalization rates, terminal valuation dates, useful lives and residual values.

(u) Separate account assets and liabilities

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of the company. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. The company reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from the company's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, the company's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the Statements of Operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of the company.

(v) Assets pledged as collateral

The company receives and pledges collateral in respect to certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Statements of Financial Position as the company retains all rights related to these assets.

Collateral received is not recognized in the Statements of Financial Position unless the company acquires the rights relating to the economic risks and rewards related to these assets.

(w) Collateralized borrowing transactions

Securities sold under repurchase agreements are collateralized borrowing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at amortized cost and are recorded at amounts at which the securities were initially sold.

The company recognizes an asset in the Statements of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Statements of Financial Position, when the criteria to offset are met.

(x) Classification of financial instruments

Accrued investment income, reinsurance recoverable, premium due and other receivables, due from related party, private loans, mortgage loans, other loans and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, note payable, corporate borrowings, subsidiary borrowings, and other liabilities have been classified as other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Further details of the financial instruments are described in Note 4.

(y) Right of offset

Amounts presented in these financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For derivative financial instruments, the company has a right of offset in the event of default, insolvency, bankruptcy or other early termination under the master netting agreements. As our rights of offset are conditional, derivative financial instruments are not offset in the Statements of Financial Position.

(z) Impairment

At each reporting date, financial assets are assessed for impairment indicators. The company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. For AFS equity investments, a significant and prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer's financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Statements of Operations.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Statements of Operations.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. In addition, irrespective of whether there is any indication of impairment, intangible assets not yet available for use are tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(aa) Future policy benefits

Contract classifications

Contracts under which the company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

Future policy benefits are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4. BAC's Appointed Actuary is responsible for determining the amount of future policy benefits in accordance with standards established by the CIA. CALM is used to determine future policy benefits and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that future policy benefits cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Future policy benefits are determined by NER Ltd. using a reserve methodology under accounting principles generally accepted in the United States of America ("US GAAP"), as permitted by IFRS 4. Future policy benefits are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Future policy benefits are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Future policy benefits are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Future policy benefits for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

Future policy benefits are determined by American National using US GAAP reserve methodology, as permitted by IFRS 4. Liabilities for future policy benefits for traditional products have been provided on a net level premium method based on estimated investment yields, withdrawals, mortality, and other assumptions that were appropriate at the time the policies were issued. Upon acquisition, the fair value of future policy benefits was determined using a Defined Valuation Net Premium (DVMP) method. Key assumptions used in calculating the fair value of future policy benefits include the net to gross premium ratio, discount rates and Provisions for Adverse Deviation (PADs) including mortality and inflation. Estimates are based on historical experience adjusted for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience. When it is determined that future expected experience differs significantly from existing assumptions, the estimates are revised for current and future issues.

Included within future policy benefits are amounts related to certain contracts or blocks of business that have negative VOBA. Negative VOBA is amortized over the duration of the respective contracts, being 30 years using the straight-line method. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions consistent with the policies described below for future policy benefits and interest sensitive contract liabilities. VOBA is the difference between the fair value of the liabilities and the reserves. Any negative VOBA is recorded within the associated reserves.

(ab) Policyholders' account balances

Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed per derivative accounting guidance.

(ac) Policy and contract claims

Policy and contract claims are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported claims ("IBNR") liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process.

(ad) Other policyholder funds

Other policyholder funds consist of liabilities related to dividends payable on participating business. For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends, less net income allocated to stockholders, as well as a pro rata portion of unrealized investment gains (losses), net of tax.

(ae) Structured entities

The company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the company, and its reinsurance treaty accounts. The company controls these entities, and as a result, these entities are consolidated within the company's financial statements. The company assesses the variable returns determination for the structured entities on an ongoing basis.

Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the company's investment in the consolidated structured entities is determined in accordance with the company's accounting policies for the underlying securities held within the structured entities.

(af) Funds withheld liabilities

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where BAC acts as a cedant. While the assets in the funds withheld liabilities are legally owned by BAC, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. BAC's funds withheld liabilities balance includes cash and cash equivalents, fixed income securities and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

(ag) Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements ("Modco arrangements").

Assets and liabilities assumed under Modco arrangements are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Statements of Operations. Assumed premiums are included in premiums on the Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco arrangements and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

(ah) Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Statements of Operations.

(ai) Participating insurance policies

For the majority of participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses).

For all other participating business, the allocation of dividends to participating policy owners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

(aj) Premium, benefits, claims incurred, and expenses

Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contract holders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid, and earned policy service fees. Amounts included in benefits are claims in excess of account balances returned to policyholders and interest credited to account balances.

Property and casualty premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection, which is generally evenly over the contract period. Claims incurred consist of claims and CAE paid and the change in reserves.

Gross premiums for PRT and reinsurance issued are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, future policy benefits are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the company and reinsurer. Premium refunds, if any, are recognized on an accrual basis. Gross benefits and benefits ceded are recorded in the Statements of Operations when they are due and incurred.

(ak) Pension and postretirement benefit plans

Pension and postretirement benefit obligations and costs for our frozen benefit plans are estimated using assumptions including demographic factors such as retirement age and mortality.

The company uses a discount rate to determine the present value of future benefits on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. For this purpose, a hypothetical bond portfolio to match the expected monthly benefit payments under the pension plan was constructed with the resulting yield of the portfolio used as a discount rate.

In developing the investment return assumption, we relied on a model that utilizes the following factors:

- Current yield to maturity of fixed income securities
- Forecasts of inflation, GDP growth, and total return for each asset class
- Historical plan performance
- Target asset allocation
- Standard deviations and correlations related to historical and expected future returns of each asset class and inflation

The resulting assumption is the assumed rate of return for the plans' target asset allocation, net of investment expenses, and reflects anticipated returns of the plans' current and future assets.

Using this approach, the calculated return will fluctuate from year to year; however, it is the company's policy to hold this long-term assumption relatively constant.

(al) Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments and derivatives represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on investments and derivatives measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

Investment upfront fees are considered to be loan origination fees and are capitalized as part of the carrying value of the loans and receivables as received and amortized over the life of the loans.

(am) Net investment results from funds withheld

Net investment results from funds withheld include investment income on funds withheld investments and changes in the fair value of derivatives embedded in reinsurance contracts, as discussed in Note 2(l). Changes in the fair value of the embedded derivative are included in the net investment results from funds withheld in the Statements of Operations.

(an) Leases

IFRS 16 Leases ("IFRS 16") specifies how to recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the company will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The ROU asset is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized. The ROU asset is included in property and equipment in the Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the company's estimate of the amount expected to be payable. The lease liability is included in other liabilities in the Statements of Financial Position.

(ao) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the financial statements. Deferred income tax liabilities are recognized for taxable temporary differences, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority within a single taxable entity, or the company intends to settle its current tax assets and liabilities on a net basis in the case where there exists different taxable entities in the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

(ap) Provisions

Provisions are recognized when the company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense is recognized in the Statements of Operations, net of any reimbursement.

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

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

(aq) Foreign currencies

The USD is the functional and presentation currency of the company.

Foreign currency denominated monetary assets and liabilities of the company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the year. Gains or losses on translation of these items are included in net income. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

For purposes of presenting the financial statements, assets and liabilities of the company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the year. Gains or losses on translation of these items are included in other comprehensive income.

(ar) Segments

In accordance with IFRS 8 Operating Segments, the company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the company's chief operating decision maker ("CODM") for making decisions, allocation of resources and assessing performance. The company's CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the company. Our operations were reorganized into three reportable segments during the second quarter of 2022: Reinsurance, PRT and Direct Insurance (see Note 24).

(as) Earnings per share

The holders of the class C shares are entitled to receive distributions if, and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the company's distributable earnings (as determined by management of the company) after payment of distributions on the class A exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs, and other similar adjustments. Total outstanding class C shares have been used to calculate basic earnings per share. Class A exchangeable shares and class B shares are not considered participating securities nor considered to be ordinary shares, and consequently per share amounts for these classes of shares have not been presented.

Basic earnings per share attributable to class C shareholders are calculated by dividing the company's net income for the year, less distributions payable to class A exchangeable and class B shareholders, by the weighted average number of class C shares outstanding during the year.

Basic and diluted earnings per share for the year ended December 31, 2020 of $18.92, were calculated by dividing the net income attributable to Brookfield for the year by the weighted average number of the common shares from Brookfield Annuity Holdings Inc., which was a wholly owned subsidiary of Brookfield (2020 – 85 million). The earnings per share amount for December 31, 2020 is not comparable to the earnings per share amount for the years ended December 31, 2021 and December 31, 2022 as a result of the Spin-off and the issuance of Class A exchangeable shares, class B shares and class C shares on June 28, 2021. Further details of the Spin-off are described in Note 1(b).

(at) Interest rate benchmark reform

Various interest rate benchmarks including London Interbank Offered Rate ("LIBOR") are the subject of international regulatory guidance and proposals for reform. Regulators in various jurisdictions have advocated for the transition from Interbank Offered Rates ("IBORs") to alternative reference rates, based on risk-free rates determined using actual market transactions. As a result, many LIBOR values, including 1-week and 2-month US LIBOR, were discontinued on December 31, 2021. The remaining US LIBOR values will be discontinued on June 30, 2023.

Similarly, on May 16, 2022, it was announced that the publication and calculation of all tenors of Canadian Dollar Offered Rate ("CDOR") will be permanently ceased after June 28, 2024. Concurrently, OSFI published their expectation that Federally Regulated Financial Institutions transition all derivatives and securities to alternative reference rates by June 30, 2023, with no new CDOR exposures after that date, with limited exceptions.

As at December 31, 2022, the company had $641 million non-derivative financial assets benchmarked to US LIBOR (2021 – $425 million) with a maturity date beyond June 30, 2023 for US LIBOR. In addition, with respect to the company's derivative instruments, the notional amounts of $5 million were benchmarked to US LIBOR (2021 – $6 million) and $14 million benchmarked to CDOR (2021 – $84 million) with a maturity date beyond June 30, 2023 for US LIBOR and June 28, 2024 for CDOR.

As at December 31, 2022, the company has completed the transition to the Secured Overnight Financing Rate ("SOFR") for the debt benchmarked to LIBOR.

(au) Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of future policy benefits, policy and contract claims, reinsurance assets, the fair value of financial assets determined using valuation techniques, the impairment of financial instruments and purchase price accounting. Actual results may differ from our estimates thereby impacting the financial statements. Outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

Management judgment is also used in applying the accounting policies used to prepare the financial statements. The items most susceptible to changes in estimate and judgements are the measurement of embedded derivatives (Note 5), reinsurance assets (Note 13 and 14), future policy benefits (Note 13) and policy and contract claims (Note 14), and impairment of available-for-sale securities and loans and receivables (Note 4) and goodwill (Note 11).

(av) Recently adopted accounting standards

Amendments to IFRS 3 - Business Combinations ("IFRS 3")

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), or IFRIC 21, Levies ("IFRIC 21"), if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments apply to annual reporting periods beginning on or after January 1, 2022.

The adoption did not have a significant impact on the company's financial reporting.

NOTE 3. ACQUISITION OF BUSINESS

On May 25, 2022, American National was acquired by a wholly-owned subsidiary of the company. American National offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Under the terms of the Merger Agreement, the company acquired 100% of all American National issued and outstanding shares in exchange for $190 per share, which is equivalent to $5.1 billion. The consideration was all cash. The company acquired all assets and assumed all liabilities of American National as of the closing date, and consolidates the business for financial statement purposes.

The following summarizes the consideration transferred, fair value of assets acquired and liabilities assumed at the acquisition date:

(in US$ millions)

Total consideration transferred for the acquisition	$	5,107
Assets acquired		
Cash and cash equivalents		1,021
Investments		22,519
Accrued investment income		101
Reinsurance recoverables		45
Premiums due and other receivables		437
Deferred tax assets		369
Property and equipment		175
Prepaid pension		149
Equity accounted investment		1,402
Deferred acquisition costs and value of business acquired		571
Reinsurance assets		410
Investment properties		541
Other assets		198
Separate account assets		1,123
Total assets acquired		**29,061**
Liabilities assumed		
Future policy benefits		5,333
Policyholders' account balances		13,880
Policy and contract claims		1,706
Unearned premium reserve		1,073
Other policyholder funds		324
Notes payable		158
Other liabilities		449
Separate account liabilities		1,123
Total liabilities assumed		**24,046**
Less: Non-controlling interest		(10)
Net assets acquired		**5,005**
Goodwill	**$**	**102**

Accounting for the acquisition is not finalized, and there remains some measurement uncertainty on the valuation and December 31, 2022 balances, pending completion of a comprehensive evaluation of the net assets acquired. The financial statements as at December 31, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price will occur by the end of the first quarter for 2023. As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $102 million as at December 31, 2022, may be adjusted in future periods. Goodwill of approximately $102 million was recognized as a result of the acquisition. Goodwill recognized is not deductible for income tax purposes. Acquisition costs of $13 million were expensed at the acquisition date and recorded as Operating expenses on the Statements of Operations.

The acquired business contributed revenues of $2.3 billion and net profit of $277 million to the company for the period from May 25 to December 31, 2022.

If the acquisition had occurred on January 1, 2022, consolidated pro forma revenue and profit for the year ended December 31, 2022 would have been $3.9 billion and $454 million, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting standards and policies between the company and American National, and
- the revised depreciation and amortization that would have been charged assuming the fair value adjustments to investments, property and equipment and intangible assets had applied from January 1, 2022, together with the consequential tax effects.

NOTE 4. FINANCIAL INSTRUMENTS

a) Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT DEC. 31 US$ MILLIONS	2022 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 506	**$ 506**
Cash equivalents	—	—	1,639	**1,639**
Total cash and cash equivalents[2]	**—**	**—**	**2,145**	**2,145**
Derivatives				
Foreign exchange forwards	6	—	—	**6**
Cross currency swaps	1	—	—	**1**
Interest rate swaps	1	—	—	**1**
Options	36	—	—	**36**
Total derivative assets	**44**	**—**	**—**	**44**
Debt securities				
Bonds				
Government and municipal	387	3,293	—	**3,680**
Corporate	1,974	11,492	—	**13,466**
Asset-backed securities	389	1,213	**—**	**1,602**
Private debt	—	256	—	**256**
Total debt securities	**2,750**	**16,254**	**—**	**19,004**
Equity				
Common shares	—	1,207	—	**1,207**
Preferred shares	11	62	—	**73**
Private equity and other	—	129	—	**129**
Total equity	**11**	**1,398**	**—**	**1,409**
Loans and receivables				
Mortgage loans	—	—	5,930	**5,930**
Private loans	—	—	1,172	**1,172**
Other loans	—	—	427	**427**
Total loans and receivables	**—**	**—**	**7,529**	**7,529**

Short term investments				
Time deposit	—	—	1	**1**
Total short term investments	**—**	**—**	**1**	**1**
Separately managed accounts	—	128	—	**128**
Other invested assets	—	14	13	**27**
Total investments	**2,761**	**17,794**	**7,543**	**28,098**
Separate account assets	—	1,045	—	**1,045**
Reinsurance funds withheld	5,610	**—**	—	**5,610**
Derivative liabilities				
Foreign exchange forwards	(13)	—	—	**(13)**
Bond futures	(25)	—	—	**(25)**
Total derivative liabilities	**(38)**	**—**	**—**	**(38)**
Funds withheld liabilities	(10)	**—**	**—**	**(10)**
Separate account liabilities	—	(1,045)	—	**(1,045)**
Notes payable	—	—	(151)	**(151)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

2. Cash and cash equivalents as at December 31, 2022 includes $182 million of collateral that is pledged to the benefit of the company from its derivative counterparties with a corresponding liability to return the collateral in liabilities for derivative financial instruments.

AS AT DEC. 31 US$ MILLIONS	2021 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 320	**$ 320**
Cash equivalents	—	—	73	**73**
Total cash and cash equivalents	**—**	**—**	**393**	**393**
Derivatives				
Foreign exchange forwards	10	—	—	**10**
Bond futures	9	—	—	**9**
Options	127	—	—	**127**
Total derivative assets	**146**	**—**	**—**	**146**
Debt securities				
Bonds				
Government and municipal	377	1,287	—	**1,664**
Corporate	1,471	260	—	**1,731**
Asset-backed securities	115	53	—	**168**
Private debt	—	137	—	**137**
Total debt securities	**1,963**	**1,737**	**—**	**3,700**
Equity				
Common shares	—	306	—	**306**
Preferred shares	4	15	—	**19**
Private equity and other	**—**	162	—	**162**
Total equity	**4**	**483**	**—**	**487**
Loans and receivables				
Mortgage loans	—	—	188	**188**
Private loans	—	—	568	**568**
Total loans and receivables	**—**	**—**	**756**	**756**
Total investments	**1,967**	**2,220**	**756**	**4,943**
Reinsurance funds withheld	4,650	—	—	**4,650**
Derivative liabilities				
Interest rate swaps	(1)	—	—	**(1)**
Total derivative liabilities	**(1)**	**—**	**—**	**(1)**
Funds withheld liabilities	(12)	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

As at December 31, 2022, the fair value of loans and receivables was $7.2 billion. (2021 - $756 million)

The carrying value of investments and separate account assets, excluding equity, cash and cash equivalents and short term investments, are shown by contractual maturity of investments.

AS AT DEC.31, 2022 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Bonds	$ 2,939	$ 1,528	$ 3,154	$ 9,525	**$ 17,146**
Asset-backed securities	3	170	325	1,104	**1,602**
Private debt	—	—	117	139	**256**
Loans and receivables	1,059	2,246	2,029	2,195	**7,529**
Separately managed accounts	10	80	36	2	**128**
Other invested assets	—	2	3	22	**27**
Separate account assets	17	46	42	940	**1,045**
Total	$ 4,028	$ 4,072	$ 5,706	$ 13,927	**$ 27,733**

AS AT DEC.31, 2021 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Bonds	$ 1,209	$ 22	$ 66	$ 2,098	$ 3,395
Asset-backed securities	14	30	50	74	168
Private Debt	—	137	—	—	137
Loans and receivables	170	183	127	276	756
Total	$ 1,393	$ 372	$ 243	$ 2,448	$ 4,456

AFS investments and investments measured at amortized cost are individually evaluated for impairment. For the year ended December 31, 2022, the company did not incur any impairment expense (December 31, 2021 – $Nil).

The company had collateral pledged of $45 million as at December 31, 2022 (December 31, 2021 – $23 million) for the benefit of the company's counterparties primarily to its derivative instrument contracts, Federal Home Loan Bank agreements, reinsurance agreements, financing and worker's compensation.

b) Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13 Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy, excluding financial assets and financial liabilities that are carried at amortized cost.

AS AT DEC. 31 US$ MILLIONS	2022 Level 1	 Level 2	 Level 3	 Total
Financial assets				
Fair value through profit or loss:				
Bonds	$ —	$ 2,361	$ —	**$ 2,361**
Asset-backed securities	—	389	—	**389**
Preferred shares	11	—	—	**11**
Derivative assets	—	43	1	**44**
Reinsurance funds withheld	—	5,610	—	**5,610**
Available for sale:				
Bonds	1,107	12,066	1,612	**14,785**
Asset-backed securities	—	294	919	**1,213**
Private debt	—	—	256	**256**
Common shares	981	58	168	**1,207**
Preferred shares	23	—	39	**62**
Private equity and other	13	—	116	**129**
Other invested assets	—	14	—	**14**
Separate account assets	318	700	27	**1,045**
Separately managed accounts	—	—	128	**128**
Total financial assets	**2,453**	**21,535**	**3,266**	**27,254**
Financial liabilities				
Fair value through profit or loss:				
Derivative liabilities	(26)	(12)	—	**(38)**
Funds withheld liabilities	—	(10)	—	**(10)**
Available for sale:				
Separate account liabilities	(318)	(700)	(27)	**(1,045)**
Total financial liabilities	**$ (344)**	**$ (722)**	**$ (27)**	**$ (1,093)**

AS AT DEC. 31 US$ MILLIONS	2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss:				
Bonds	$ —	$ 1,848	$ —	**$ 1,848**
Asset-backed securities	—	115	—	**115**
Common shares	243	—	—	**243**
Preferred shares	4	—	—	**4**
Derivative assets	9	137	—	**146**
Reinsurance funds withheld	—	4,650	—	**4,650**
Available for sale:				
Bonds	1,165	382	—	**1,547**
Asset-backed securities	—	53	—	**53**
Private debt	—	—	137	**137**
Common shares	1	62	—	**63**
Preferred shares	3	2	10	**15**
Private equity and other	—	—	162	**162**
Total financial assets	**1,425**	**7,249**	**309**	**8,983**
Financial liabilities				
Fair value through profit or loss:				
Derivative liabilities	—	(1)	—	**(1)**
Funds withheld liabilities	—	(12)	—	**(12)**
Total financial liabilities	**$ —**	**$ (13)**	**$ —**	**$ (13)**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Financial Instruments	Valuation Techniques and Key Inputs
Bonds and other equities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs. The company evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on the asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.
Asset-backed securities	Valuation model is based on quoted prices of similar traded securities in active markets. The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon and weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt-service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads.
Derivative assets/Derivative liabilities	Foreign currency forward contracts—discounted cash flow model—forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Interest rate contracts - discounted cash flow model - forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate. Warrants – intrinsic value based on the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
Reinsurance funds withheld	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Separate account assets and liabilities	The separate account assets included in the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and fixed maturity bonds available-for-sale. Short-term investments and fixed maturity securities are classified as Level 2 measurements. The classifications for separate assets reflect the fair value methodologies of the underlying asset and liability fair value methodologies listed above.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

The company performs initial and ongoing analysis and review of the valuation techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the valuation assumptions are reasonable. The company analyzes and reviews the data, assumptions and valuation model to ensure that the fair value represents a reasonable estimate as at reporting period end and to monitor controls around fair value measurement, which includes quantitative and qualitative analysis and is overseen by the company's investment and accounting personnel.

Fair values determined using valuation models requiring the use of unobservable inputs (Level 3 financial assets and liabilities) include assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those unobservable inputs, the company uses observable external market inputs such as interest rate yield curves, currency rates and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement of Level 3 financial instruments:

Type of Asset	**Valuation Techniques**	**Significant Unobservable Inputs**	**Significant unobservable inputs and relationship of unobservable inputs to fair value**
Equity-index Option	Heston and Black-Scholes Valuation models	• Interest rate (risk-free rate assumptions) • Underlying equity quoted index prices	• Increases (decreases) in interest rate assumptions decrease (increase) fair value • Increases (decreases) in underlying equity index prices increase (decrease) fair value
Bonds and asset-backed securities	Bonds • Discounted cash flows (yield analysis) • Income approach	Bonds • Contractual cash flows • Duration • Call provisions	Bonds • Increases (decreases) in contractual cash flows increase (decrease) fair value • Increases (decreases) in duration increase (decrease) fair value
	Asset-backed securities • Broker quotes • Income approach	Asset-backed securities • Contractual cash flows • Weighted-average coupon and maturity • Collateral type • Loss severity • Geography	Asset-backed securities • Increases (decreases) in contractual cash flows increase (decrease) fair value • Increases (decreases) in interest rate assumptions decrease (increase) fair value
Private debt	• Income approach	• Weighted-average life • Risk premium	• Increases (decreases) in weighted-average life increase (decrease) fair value • Increases (decreases) in interest rate assumptions decrease (increase) fair value
Common shares, preferred shares and private equity	• Broker quotes • Income approach	• Security structure	

Separately managed accounts	Common Stock and Warrants • Guideline public company method uses price multiples from data on comparable public companies. • Option pricing method • Current Value Method ("CVM")	Common Stock and Warrants • Next Calendar Year Multiple • Next Calendar Year +1 Earnings before interest, tax, depreciation and amortization ("EBITDA") Multiple •Last Twelve Months Revenue Multiple valuation metric shows revenue for the past 12 month period. • Last Twelve Months EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12 month period. • Term • Volatility • Discount for lack of marketability ("DLOM")	• Increases (decreases) in Next Calendar Year Multiple increase (decrease) fair value • Increases (decreases) in Next Calendar Year EBITDA Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months Revenue Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months EBITDA Multiple increase (decrease) fair value • Increases (decreases) in term increase (decrease) fair value • Increases (decreases) in volatility increase (decrease) fair value • Increases (decreases) in DLOM decrease (increase) fair value • Increases (decreases) in discount rate decrease (increase) fair value
	Preferred Stock • Guideline public company method uses price multiples from data on comparable public companies. • CVM	Preferred Stock • Next Calendar Year Revenue Multiple • Next Calendar Year +1 EBITDA Multiple • Last Twelve Months Revenue Multiple valuation metric shows revenue for the past 12 month period. • Last Twelve Months EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12 month period.	• Increases (decreases) in Next Calendar Year Revenue Multiple increase (decrease) fair value • Increases (decreases) in Next Calendar Year EBITDA Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months Revenue Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months EBITDA Multiple valuation increase (decrease) fair value

	Fixed Income • Discounted cash flows (yield analysis) • market transactions approach • CVM • Cost	Fixed Income • Discount rate • Next Calendar Year EBITDA	• Increases (decreases) in discount rate decrease (increase) fair value • Increases (decreases) in Next Calendar Year EBITDA increase (decrease) fair value
Separate account assets and liabilities	Equity method	• Proportionate share of net income of the underlying investment fund • Proportionate share of other comprehensive income of the underlying investment fund • Proportionate share of distribution received from the underlying investment fund	• Increases (decreases) in proportionate share of net income of the underlying investment fund increase (decrease) fair value • Increases (decreases) in proportionate share of other comprehensive income of the underlying investment fund increase (decrease) fair value • Increases (decreases) in proportionate share of distribution received from the underlying investment fund decrease (increase) fair value

The following table presents the changes in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2022 and 2021:

	2022		2021	
AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Balance, beginning of year	**$ 309**	**$ —**	$ —	$ —
Fair value changes in net income	**(14)**	**3**	—	—
Fair value changes in other comprehensive income	**(33)**	**—**	—	—
Additions	**3,095**	**32**	309	—
Disposals	**(91)**	**(8)**	—	—
Balance, end of year	**$ 3,266**	**$ 27**	$ 309	**$ —**

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2022 and December 31, 2021.

c) Net investment income

Net investment income is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Interest income			
Cash and cash equivalents	**$ 34**	$ 1	$ —
FVTPL investments	**106**	51	28
AFS investments	**326**	12	2
Loans and receivables	**237**	5	—
Total interest income	**703**	69	30
Dividend income			
FVTPL investments	**5**	—	—
AFS investments	**7**	—	—
Total dividend income	**12**	—	—
Realized gains on investments and derivatives			
FVTPL investments	**(86)**	3	3
Derivatives	**211**	(45)	—
AFS investments	**6**	2	—
Foreign exchange gain/loss	**26**	9	—
Total realized gains on investments and derivatives	**157**	(31)	3
Unrealized gains (losses) on investments and derivatives			
FVTPL investments	**(302)**	(60)	46
AFS investments	**(22)**	—	$ —
Derivatives	**(298)**	27	6
Total unrealized gains (losses) on investments and derivatives	**(622)**	(33)	52
Other investment income (expenses)	**86**	(4)	(1)
Net investment income	**$ 336**	$ 1	$ 84

d) Net investment results from funds withheld

Net investment results from funds withheld is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Interest income			
FVTPL investments	**$ 199**	$ 29	$ —
Total interest income attributable to funds withheld	**199**	29	—
Realized losses on investments and derivatives			
FVTPL investments	**(73)**	(2)	—
Foreign exchange losses	**(3)**	(4)	—
Total realized losses on investments and derivatives attributable to funds withheld	**(76)**	(6)	—
Unrealized losses on investments and derivatives			
FVTPL investments	**171**	(19)	—
Foreign exchange losses	**(14)**	(1)	—
Total unrealized losses on investments and derivatives attributable to funds withheld	**157**	(20)	—
Other investment income	**1**	75	—
Net investment results from funds withheld	**$ 281**	$ 78	**$ —**

e) Derivative financial instruments

The company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, options, cross currency swaps, interest rate swaps and warrants. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments.

Foreign exchange forwards, options, cross currency swaps, interest rate swaps and warrants are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default.

The following table presents the fair values of derivative assets and liabilities categorized by type of hedge for accounting purposes and derivative investments:

AS AT DEC. 31 US$ MILLIONS	2022 Total notional amount	2022 Fair value Assets	2022 Fair value Liabilities	2021 Total notional amount	2021 Fair value Assets	2021 Fair value Liabilities
Derivative investments	**$ 11,478**	**$ 44**	**$ (32)**	$ 7,469	$ 146	$ (1)
Fair value hedges	**140**	**—**	**(6)**	—	—	—
Total derivatives[1]	**$ 11,618**	**$ 44**	**$ (38)**	$ 7,469	$ 146	$ (1)

Notional principal by terms of maturity and the fair value of derivatives are presented in the table below.

AS AT DEC. 31, 2022 US$ MILLIONS	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount Within 1 year	Notional amount 1-3 years	Notional amount 4-5 years	Notional amount Over 5 years	Notional amount Notional principal
Exchange traded								
Bond futures	$ —	$ (25)	$ 78	$ 1,504	$ —	$ —	$ —	$ 1,504
Over-the-counter								
Foreign exchange forwards	7	(13)	3	2,564	66	—	—	2,630
Cross currency swaps	1	—	—	9	—	—	8	17
Interest rate swaps	1	—	—	—	—	—	15	15
Options[1]	35	—	101	7,001	451	—	—	7,452
Total	**$ 44**	**$ (38)**	**$ 182**	**$11,078**	**$ 517**	**$ —**	**$ 23**	**$ 11,618**

[1]Includes equity-index options, recorded within Other invested assets in Note 4(a) and Note 4(b) tables.

AS AT DEC. 31, 2021 US$ MILLIONS	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount Within 1 year	Notional amount 1-3 years	Notional amount 4-5 years	Notional amount Over 5 years	Notional amount Notional principal
Exchange traded								
Bond futures	$ 9	$ —	$ 22	$ 730	$ —	$ —	$ —	$ 730
Over-the-counter								
Foreign exchange forwards	10	—	1	787	59	—	—	846
Warrants	—	—	—	1	—	—	—	1
Cross currency swaps	—	—	—	—	10		8	18
Interest rate swaps	—	(1)	—	—	—	1	71	72
Options	127	—	—	5,802	—	—	—	5,802
Total	**$ 146**	**$ (1)**	**$ 23**	**$ 7,320**	**$ 69**	**$ 1**	**$ 79**	**$ 7,469**

The company monitors the fair values of bond futures and forwards on a daily basis, with additional cash collateral obtained or refunded as necessary.

Bond futures and most foreign exchange forwards, cross currency swaps and options mature in less than 1 year. Interest rate swaps mature in over 5 years and settle on a semi-annual or annual basis. Derivatives are measured at FVTPL and are reported on the Statements of Financial Position as derivative assets or derivative liabilities. The fair value of exchange-traded futures contracts is determined based on Level 1 inputs. OTC foreign currency forwards, options, currency swaps and interest rate swaps are valued on the contract notional amounts, which is the difference between contract and market rates. These inputs are derived from observable market data and as such are classified as Level 2 instruments.

For OTC derivatives, collateral is collected from and pledged to derivative counterparties according to the Credit Support Annexes, which form part of the International Swaps and Derivatives Associations' master agreements, when the exposure exceeds a specified threshold. For exchange-traded derivatives, their positions are margined on a daily basis (both initial margin and variation margin) subject to derivative clearing agreements with the exchanges and clearing houses. As at December 31, 2022, the company has pledged $182 million of financial assets as collateral under the terms of the derivative contracts (2021 – $23 million).

For an analysis of the company’s risks arising from financial instruments and the policies and procedures to manage these risks refer to Note 22 Risk Management.

f) Summary of investments

AS AT DEC. 31 US$ MILLIONS	**2022** **Carrying Amount**	**2022** **Percent**	2021 Carrying Amount	2021 Percent
Corporate debt securities				
Corporate bonds	**$ 13,466**	**46 %**	$ 1,731	34 %
Asset-backed securities	**1,602**	**5 %**	168	3 %
Private debt	**256**	**1 %**	137	3 %
	15,324	**53 %**	2,036	40 %
Government bonds				
United States government	**3,292**	**11 %**	1,271	25 %
Canada government	**79**	**— %**	61	1 %
Canada provincials	**309**	**1 %**	332	7 %
	3,680	**13 %**	1,664	33 %
Loans and receivables				
Private loans	**1,172**	**4 %**	568	11 %
Mortgage loans	**5,930**	**20 %**	188	4 %
Other loans	**427**	**2 %**	—	— %
	7,529	**26 %**	756	15 %
Separately managed accounts	**128**	**— %**	—	— %
Other invested assets	**27**	**— %**	—	— %
Separate account assets	**1,045**	**4 %**	—	— %
Derivatives				
Foreign exchange forwards	**(7)**	**— %**	10	— %
Cross currency swaps	**1**	**— %**	—	— %
Interest rate swaps	**1**	**— %**	(1)	— %
Bonds futures	**(25)**	**— %**	9	— %
Options	**36**	**1 %**	127	2 %
	6	**1 %**	145	2 %
Equity				
Common shares	**1,207**	**4 %**	306	6 %
Preferred shares	**73**	**— %**	19	— %
Private equity and other	**129**	**— %**	162	3 %
	1,409	**4 %**	487	10 %
Total	**$ 29,149**	**100 %**	$ 5,088	100 %

NOTE 5. REINSURANCE FUNDS WITHHELD

AS AT DEC. 31 US$ MILLIONS	2022	2021
Reinsurance funds withheld	$ 5,603	$ 4,819
Embedded derivatives	151	(19)
Reinsurance funds withheld payable	(144)	(150)
Net reinsurance funds withheld	**$ 5,610**	$ 4,650

The company has embedded derivatives on the reinsurance funds withheld, which are required to be separated from the host contracts and reported on a fair value basis. The value of the embedded derivative at December 31, 2022, was $151 million (2021 - $19 million).

Embedded derivatives from Modco arrangements are fair valued using a total return swap. During the year, the company changed fair value methodologies, as described in Note 2(m). In the old methodology of valuing the embedded derivative, the company was subject to the investment performance of the withheld assets with the total investment return impacting the host contract and embedded derivative value. Under the new Market Calibration Approach methodology, the fixed loan interest rate over the notional loan term is calibrated such that loan cash flows, discounted at the forward swap rates, equals the market value or starting reserve at calibration date.

NOTE 6. PROPERTY AND EQUIPMENT

The company's property and equipment consist of the following:

US$ MILLIONS	Computers and office equipment	Furniture and fixtures	Leasehold improvements	ROU asset	Total
Cost					
As at December 31, 2021	$ 1	$ —	$ —	$ 1	$ 2
Acquisitions through business combinations	73	2	100	—	175
Additions	25	—	15	1	41
Disposals	(9)	—	(8)	—	(17)
As at December 31, 2022	**$ 90**	**$ 2**	**$ 107**	**$ 2**	**$ 201**
Accumulated depreciation					
As at December 31, 2021	$ —	$ —	$ —	$ —	$ —
Depreciation	(2)	—	(3)	—	(5)
Disposals	(2)	—	—	—	(2)
As at December 31, 2022	**$ (4)**	**$ —**	**$ (3)**	**$ —**	**$ (7)**
Carrying amount					
December 31, 2021	$ 1	$ —	$ —	$ 1	$ 2
December 31, 2022	**$ 86**	**$ 2**	**$ 104**	**$ 2**	**$ 194**

For the year ended December 31, 2022, the company did not incur an impairment expense (2021 – $Nil).

NOTE 7. EQUITY ACCOUNTED INVESTMENTS

The company's equity accounted investments relate to its investment in associates and investments in real estate joint ventures and other limited partnership interests.

The following table presents the change in the company's equity accounted investment in AEL Holdings:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021
Balance, beginning of year	**$ 344**	$ —
Additions	**254**	294
Share of net income	**98**	8
Share of other comprehensive (loss) income	**—**	44
Distributions received	**—**	(2)
Derecognition of equity accounted investments upon loss of significant influence	**(696)**	—
Balance, end of year	**$ —**	$ 344

As at December 31, 2021, the company's ownership interest in AEL Holdings represented an equity accounted investment as a result of the company's common equity ownership in AEL Holdings, a material reinsurance transaction with American Equity Investment Life Insurance Company ("AEILIC"), a wholly-owned subsidiary of AEL Holdings, and the membership of Brookfield Reinsurance's CEO on AEL Holdings board of directors. On November 8, 2022, Brookfield Reinsurance appointed board member resigned from AEL's board of directors resulting in the loss of significant influence and therefore the discontinuation of the Brookfield Reinsurance's common share holding of AEL Holdings as an associate and it became a financial asset on November 8, 2022. The company recognized a $607 million gain on the discontinuation of equity method accounting on its investment in AEL Holdings during the year.

The company's equity in earnings of real estate partnerships is the company's share of operating earnings and realized gains from investments in real estate joint ventures and other limited partnership interests using the equity method of accounting.

The following table presents the change in the company's joint ventures and other limited partnership interests during the year:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021
Balance, beginning of year	**$ —**	$ —
Acquisition from business combination	**1,402**	—
Additions	**443**	—
Share of net income	**124**	—
Distributions received	**(233)**	—
Foreign currency translation and other	**(63)**	—
Balance, end of year	**$ 1,673**	$ —

The company recognizes its share of income and OCI from its weighted average ownership interest in the equity accounted investments one quarter in arrears or less, depending on the most up to date information available to the company.

NOTE 8. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The following table presents movement in deferred acquisition costs and VOBA, as well as the impact on expenses:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	**$ 776**	$ —
Acquisition from business combination	**571**	—
Costs capitalized	**720**	775
Amortization and other	**(335)**	1
Balance, end of year	**$ 1,732**	$ 776

VOBA recognized in connection with the acquisition of American National represents the difference between the fair value of liabilities acquired and reserves established using a weighted-average cost of capital discount rate and other relevant assumptions as at the acquisition date. The acquisition resulted in VOBA of $571 million within direct business written. VOBA is amortized based on the estimated premium earning patterns. Amortization expense of VOBA was $125 million since the acquisition date.

NOTE 9. INVESTMENT PROPERTIES

The company's investment properties are as follows:

AS AT DEC. 31 US$ MILLIONS	2022	2021
Cost	**$ 576**	$ —
Accumulated depreciation	**(14)**	**—**
Net carrying amount	**$ 562**	$ —

As at December 31, 2022, the fair value of investment properties is $562 million.

The following table presents the changes in the company's investment properties:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	**$ —**	$ —
Acquisition from business combination	**541**	—
Additions from expenditure capitalization	**37**	—
Disposals	**(4)**	—
Depreciation	**(14)**	—
Foreign currency translation and other	**2**	—
Balance, end of year	**$ 562**	$ —

The following table presents the rental income and direct operating expenses of the investment properties:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021	2020
Rental income from investment properties	**$ 60**	$ —	$ —
Direct operating expenses of rental investment properties	**(36)**	—	—
Direct operating expenses of non-rental investment properties	**(8)**	—	—
Total	**$ 16**	$ —	$ —

NOTE 10. OTHER ASSETS

The company's other assets consist of the following:

AS AT DEC. 31 US$ MILLIONS	2022	2021
Accounts receivable	**$ 15**	$ —
Prepaid reinsurance premium	**47**	—
Taxes recoverable	**34**	—
Due from related party	**2**	10
Intangible assets	**52**	3
Reinsurance receivable	**26**	12
Other	**86**	4
Total other assets	**$ 262**	$ 29

The company's intangible assets consist of computer software, distributor relationships, trade name, and insurance licenses. For the year ended December 31, 2022, the company did not incur an impairment expense (2021 – $Nil).

NOTE 11. GOODWILL

Goodwill is the excess of cost over the estimated fair value of net assets acquired. As at December 31, 2022, the company had $102 million in goodwill which was related to the Direct Insurance segment. There is no accumulated impairment balance associated with goodwill. The company performs a goodwill impairment analysis annually as of December 31, and more frequently if facts and circumstances indicate that goodwill may be impaired.

The reconciliation of the carrying value of goodwill is in the following table:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	**$ —**	**$ —**
Acquisition from business combination	**102**	—
Impairment	**—**	—
Balance, end of year	**$ 102**	$ —

NOTE 12. SEPARATE ACCOUNT ASSETS AND LIABILITIES

The following table presents the details of investments in the company's separate account assets and liabilities:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Cash and cash equivalents	**$ 4**	$ —
Bonds	**115**	—
Equity securities	**894**	—
Investment funds	**27**	—
Other assets	**5**	—
Total	**$ 1,045**	$ —

The following table presents the change of the company's separate account assets and liabilities:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021
Balance, beginning of year	**$ —**	$ —
Additions (deductions)		
Acquisition from business combination	**1,123**	—
Policyholder deposits	**44**	—
Net investment income	**32**	—
Net realized capital gains on investments	**(72)**	—
Policyholder benefits and withdrawals	**(66)**	—
Net transfer to or from separate account	**(10)**	—
Policy charges	**(6)**	—
Total changes	**1,045**	—
Balance, end of year	**$ 1,045**	$ —

NOTE 13. FUTURE POLICY BENEFITS AND POLICYHOLDERS' ACCOUNT BALANCES

The company's future policy benefits and policyholders' account balances are as follows:

a. Future Policy Benefits

(i) Key methodologies and assumptions

<u>Direct Insurance</u>

American National estimates future policy benefits for amounts payable under insurance and annuity policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of expected benefit payments reduced by the present value of expected premiums. Such future policy benefits are established on a block of business based on methods and underlying assumptions and applicable actuarial standards. Principal assumptions used in the establishment of future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability termination, investment return, inflation, expenses, and other contingent events as appropriate to the respective product type.

Future policy benefits for non-participating traditional life insurance are equal to the aggregate of the present value of expected benefit payments and related expenses less the present value of expected net premiums. Assumptions as to mortality and persistency are based upon American National's experience when the basis of the liability is established. Interest rates for the aggregate future policy benefits range from 3.0% to 8.0%.

Future policy benefits for participating traditional life insurance are equal to the aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 2.5% to 5.5%) and mortality rates guaranteed in calculating the cash surrender values described in such contracts; and (ii) the liability for terminal dividends.

Future policy benefits for individual fixed deferred annuities after annuitization and single premium immediate annuities are equal to the present value of expected future payments. The interest rate used in establishing such liabilities range from 3.0% to 6.0% for all policies in-force.

Future policy benefits for non-medical health insurance are calculated using the net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. The interest rate used in establishing such liabilities range from 3.5% to 8.0%.

Future policy benefits for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest. The interest rates used in establishing such liabilities range from 3.0% to 6.0%.

Liabilities for universal life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. American National regularly evaluates estimates used and adjusts the additional liability balances with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical Standard & Poor's experience. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

American National periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the company's Statements of Operations in the period in which the changes occur.

Reinsurance

NER SPC's future policy benefits represent Fixed Indexed Annuity ("FIA") contracts that provide contract owners the possibility of earning returns linked to the performance of a specified market index, predominantly the S&P 500 Index, while providing principal protection. The contracts include a provision for a minimum guaranteed surrender value in accordance with applicable law. The products allow policyholders to allocate funds periodically among several different crediting strategies, including index-based strategies and a traditional fixed rate strategy. High surrender charges apply for early withdrawal.

The policyholder account value of the FIA is equal to the sum of deposit paid, premium bonus, and index credits based in the relevant market index (subject to cap, spread and/or participation rate which can typically be reset) less any fees for riders and any withdrawals taken to-date.

NER SPC's future policy benefits are based on actuarial assumptions related to the underlying policies' terms, lives of the policies, duration of the contract, yield on investments supporting the liabilities, level of expenses. Significant assumptions also include policyholder behavior assumptions, such as surrender, lapse, withdrawal rates. NER SPC uses a combination of actual and industry experience when setting and updating policyholder behavior assumptions. Assumptions are at best estimate with margins for adverse deviation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

NER Ltd.'s insurance reserves represent multi-year guaranteed annuity contracts that provide owners a guaranteed rate of return. Premiums and credited interest are protected from market volatility, which provides long-term financial security and predictability for policyholders.

NER Ltd.'s future policy benefits have no actuarial assumptions as the reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

PRT

The future policy benefits represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not reached pensionable age. The company's insurance contracts are a mixture of group annuity "buy-in" policies, where the policyholder is the pension fund, and group annuity "buy-out" policies, where the policyholder is the administrator. The company provides group annuity policies across Canada.

The future policy benefits represent the present value of the future annuity payments and expenses measured in accordance with the CALM described in Note 2 Summary of significant accounting policies, section (aa) Future Policy Benefits. It incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation, and inflation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

The principal valuation assumptions and the methods for arriving at these valuation assumptions are outlined below.

Longevity

Mortality assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors including, but not limited to, gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data comprises of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

Mortality improvement assumptions follow the prescribed mortality improvement scales issued by the CIA.

Investment returns

Projected cash flows from the current assets and liabilities are used in CALM to determine insurance reserves. Assumptions are made regarding rates of returns on supporting assets. Projected cash flows from assets used in the actuarial calculations are reduced to provide for potential asset default losses. The calculation for future credit losses on assets is based on the credit quality underlying the asset portfolio.

Other assumptions

The internal costs of maintaining the insurance reserves, the fees paid to third-party administrators engaged to manage payments under the in-force policies, and fees due to reinsurers and investment management expenses, as well as inflation are factored into the calculation of the insurance reserves where applicable.

(ii) Net change in future policy benefits

The following tables summarize the movements of future policy benefits, policy and contract claims, and policyholders' account balances for the years ended December 31, 2022 and December 31, 2021 by its major components:

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	**Life**	**Annuities**	**Health**	**Gross reserves**	**Reinsurance assets**	**Net**
Beginning of year	$ —	$ 8,497	$ —	**$ 8,497**	$ 169	**$ 8,328**
Changes during the year						
Acquisition from business combination	3,533	1,754	46	**5,333**	90	**5,243**
New business	10	1,906	—	**1,916**	—	**1,916**
Normal changes	38	(784)	1	**(745)**	(48)	**(697)**
Management actions and changes in assumptions	—	974	—	**974**	—	**974**
	3,581	3,850	47	**7,478**	42	**7,436**
Impact of foreign exchange[1]	—	(204)	—	**(204)**	(9)	**(195)**
Balance at end of year	**$ 3,581**	**$ 12,143**	**$ 47**	**$ 15,771**	**$ 202**	**$ 15,569**

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Life	Annuities	Health	Gross reserves	Reinsurance assets	Net
Beginning of year	$ —	$ 1,339	$ —	**$ 1,339**	$ 190	**$ 1,149**
Changes during the year						
New business	—	7,180	—	**7,180**	—	**7,180**
Normal changes	—	(310)	—	**(310)**	(20)	**(290)**
Management actions and changes in assumptions	—	282	—	**282**	(2)	**284**
	—	7,152	—	**7,152**	(22)	**7,174**
Impact of foreign exchange[1]	—	6	—	**6**	1	**5**
Balance at end of year	**$ —**	**$ 8,497**	**$ —**	**$ 8,497**	**$ 169**	**$ 8,328**

1. Foreign currency translation reported as a separate component of other comprehensive income.

Under fair value accounting required by our Canadian PRT business, movement in the fair value of the supporting assets is a primary driver of the movement of future policy benefits. In a duration matched portfolio, changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the future policy benefits associated with the change in the value of the supporting assets is included within normal changes above. The future policy benefits from reinsurance activities is not sensitive to the fair value of the supporting assets under US GAAP reserve methodology.

The increases in future policy benefits in 2022 were mainly due to the new business of $2 billion, offset by the negative impact of normal changes of $697 million, which was primarily driven by the market value changes from increases in interest rates. Management actions and changes in assumptions increased future policy benefits by $974 million, resulting in net increases in future policy benefits, before the negative impact of foreign exchange of $195 million.

The acquisition of American National resulted in negative VOBA of $781 million related to the life and annuity business, and has been recognized in the company's future policy benefits (life and annuities). Negative VOBA is amortized over 30 years using the straight-line method. Amortized negative VOBA revenue of $13 million was recorded since the acquisition date during 2022.

b. Policyholders' account balances

Policyholders' account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The following table summarizes the movement of policyholders' account balances:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021
Beginning of year	**$ —**	$ —
Changes during the year		
Acquisition from business combination	**13,880**	—
Policyholders' account deposits	**1,407**	—
Interest credited to policyholders' account balances	**156**	—
Policyholders' account withdrawals	**(921)**	—
Charges to policyholders' account balances	**(212)**	—
Balance at end of year	**$ 14,310**	**$ —**

NOTE 14. POLICY AND CONTRACT CLAIMS

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the Statements of Financial Position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the Statements of Operations in the year in which the changes occur. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

a. Key methodologies and assumptions

Property and Casualty Reserving Methodology—The following methods are utilized:

- Initial Expected Loss Ratio—This method calculates an estimate of ultimate losses by applying an estimated loss ratio to actual earned premium for each calendar/accident year. This method is appropriate for classes of business where the actual paid or reported loss experience is not yet mature enough to influence initial expectations of the ultimate loss ratios.

- Pegged Frequency and Severity—This method uses actual claims count data and emergence patterns of older accident periods to project the ultimate number of reported claims for a given accident year. A similar process projects the ultimate average severity per claim so that the product of the two projections results in a projection of ultimate loss for a given accident year.

- Bornhuetter-Ferguson—This method uses, as a starting point, either an assumed Initial Expected Loss Ratio Method or Pegged Frequency and Severity method and blends in the loss ratio or frequency and severity implied by the claims experience to date by using loss development patterns based on our historical experience. This method is generally appropriate where there are few reported claims and an unstable pattern of reported losses.

- Loss or Expense Development (Chain Ladder)—This method uses actual loss or defense and cost containment expense data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. This method is appropriate when there is a relatively stable pattern of loss and expense emergence and a relatively large number of reported claims.

- Ratio of Paid Defense and Cost Containment Expense to Paid Loss Development—This method uses the ratio of paid defense and cost containment expense to paid loss data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. In this method, an ultimate ratio of paid defense and cost containment expense to paid loss is selected for each accident period. The selected paid defense and cost containment expense to paid loss ratio is then applied to the selected ultimate loss for each accident period to estimate the ultimate defense and cost containment expense. Paid defense and cost containment expense is then subtracted from the ultimate defense and cost containment expense to calculate the unpaid defense and cost containment expense for that accident period.

- Calendar Year Paid Adjusting and Other Expense to Paid Loss—This method uses a selected prior calendar years' paid expense to paid loss ratio to project ultimate loss adjustment expenses for adjusting and other expense. A percentage of the selected ratio is applied to the case reserves (depending on the line of insurance) and 100% to the indicated IBNR reserves. These ratios assume that a percentage of the expense is incurred when a claim is opened and the remaining percentage is paid throughout the claim's life.

For most credit property and casualty products, IBNR liability is calculated as a percentage of pro rata unearned premium, with the specific percentage for a given product line informed by a traditional completion factor claim reserve analysis.

The expected development on reported claims is the sum of a pay-to-current reserve and a future reserve. The pay-to-current reserve is calculated for each open claim having a monthly indemnity and contains the amount required to pay the open claim from the last payment date to the current valuation date. The future reserve is calculated by assigning to each open claim a fixed reserve amount based on the historical average severity. For debt cancellation products and involuntary unemployment insurance, this reserve is calculated using published valuation tables.

Cumulative claim frequency information is calculated on a per claim basis. Claims that do not result in a liability are not considered in the determination of unpaid liabilities.

For any given line of business, none of these methods are relied on exclusively. With minor exceptions, multiple methods may be used for a line of business as a check for reasonableness of our reselected reserve value.

b. Changes in policy and contract claims

The following table summarizes the movement of policy and contract claims:

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Gross reserves	Reinsurance assets	Net
Beginning of year	$ —	$ —	**$ —**
Changes during the year			
Acquisition from business combination	1,706	320	**1,386**
New business	242	40	**202**
Normal changes	(162)	8	**(170)**
Management actions and changes in assumptions	—	—	**—**
	1,786	368	**1,418**
Impact of foreign exchange	—	—	**—**
Balance at end of year	**$ 1,786**	**$ 368**	**$ 1,418**

For December 31, 2022, the policy and contract claims increased by $1.4 billion primarily driven by the additions from the acquisition of American National. There was no policy and contract claims in 2021.

c. Claims and claim adjustment expenses

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustments in the consolidated statement of financial position is as follows:

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	$ 503	489	481	474	467	465	463	338	461	460
2014		485	462	456	448	450	447	348	445	445
2015			481	475	469	469	464	368	464	463
2016				531	518	513	509	385	504	502
2017					579	578	570	420	564	562
2018						698	683	514	648	581
2019							713	557	691	618
2020								465	671	616
2021									1,116	1,061
2022										1,225
									Total	$ 6,533

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	$ 217	319	375	412	431	440	449	451	454	453
2014		192	300	350	387	413	426	432	435	436
2015			187	301	359	402	431	442	447	451
2016				216	333	394	438	458	474	482
2017					232	392	456	490	512	528
2018						285	467	529	565	530
2019							290	469	531	523
2020								305	468	488
2021									623	823
2022										681
									Total	$ 5,395
					All outstanding liabilities before 2013, net of reinsurance					32
					Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 1,170

The reconciliation of the net incurred and paid claims development table to the policy and contract claims in the Statements of Financial Position is as follows:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	$ 1,170	$ —
Reinsurance recoverable on unpaid claims	346	—
Insurance lines other than short-duration	199	—
Unallocated claim adjustment expenses	71	—
Total policy and contract claims	**$ 1,786**	$ —

NOTE 15. REINSURANCE CEDED

Any gains or losses on reinsurance transactions are recognized in income on inception of the transactions and are included in change in insurance contract liabilities ceded in the Statements of Operations.

In December 2020, PRT segment entered into two longevity reinsurance transactions which resulted in after-tax losses on inception of approximately $1 million. In December 2021, our PRT segment entered into another longevity reinsurance transaction which resulted in an after-tax loss on inception of approximately $1 million. There was no new reinsurance agreement entered in 2022.

As at December 31, 2022, our PRT segment's total expected fixed payments and actual costs of benefit expenses to be reimbursed under longevity reinsurance transactions used in valuing reinsurance assets were $914 million and $899 million (2021 - $1.1 billion and $1.1 billion) respectively. The difference between fixed payments and actual costs on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Statements of Operations.

Our Direct Insurance segment reinsures portions of certain life insurance policies to provide a greater diversification of risk and manage exposure on larger risks.

For the property and casualty, our Direct Insurance segment retains the first $2 million of loss per risk. Reinsurance covers up to $6 million of property and liability losses per risk. Additional excess property per risk coverage is purchased to cover risks up to $20 million, and excess casualty clash coverage is purchased to cover losses up to $60 million. Corporate catastrophe coverage is in place for losses up to $470 million ($500 million if the top layer of the Property Catastrophe Top and Drop contract is included). The Direct Insurance segment retains the first $35 million of each catastrophe.

The first contract is the Property Catastrophe Top and Drop cover that consists of $30 million of annual limit available either wholly or in part across two layers of coverage. The second aggregate contract provides for $30 million of coverage after $160 million of annual aggregated catastrophe losses has been reached.

The Direct Insurance segment remains primarily liable with respect to any reinsurance ceded and would bear the entire loss if the reinsurer does not meet their obligations under any reinsurance treaties.

As at December 31, 2022, reinsurance payable was $5 million, representing the amounts payable from third-party cedants. None of the amount outstanding at December 31, 2022 is the subject of litigation or is in dispute with the reinsurers involved. Management believes the unfavorable resolution of any dispute that may arise would not have a material impact on the financial statements.

NOTE 16. CORPORATE AND SUBSIDIARY BORROWINGS

The company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $500 million. The credit facilities bear interest at the specified SOFR, CDOR, or bankers' acceptance rate plus a spread and have a maturity date of June 2027. As at December 31, 2022, $356 million was drawn on the bilateral credit facilities.

The company has a $1.0 billion 364-day revolving credit facility for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at December 31, 2022, the facility had $804 million outstanding.

In April 2022, the company entered into a $1.0 billion 364-day secured facility. As at December 31, 2022, the facility was fully drawn.

The facilities require the company to maintain a minimum net worth covenant. As at December 31, 2022, the company was in compliance with its financial covenants.

The company also has a revolving credit facility with Brookfield that, as at December 31, 2022, permitted borrowings of up to $400 million. As at December 31, 2022, there were no amounts drawn on the facility.

Subsidiary borrowings of $1.5 billion relate to debt issued at American National. $1.0 billion matures in 2027 and the remaining $500 million matures in 2032.

NOTE 17. OTHER LIABILITIES

The company's other liabilities consist of the following:

AS AT DEC. 31 US$ MILLIONS	**2022**	2021
Accounts payable and accrued liabilities	**$ 61**	$ 57
Liability for retirement benefits	**67**	—
Escrow fund on mortgage loans	**138**	—
Accrued commissions and other expenses	**185**	—
Other	**280**	7
Total other liabilities	**$ 731**	$ 64

NOTE 18. OPERATING EXPENSES

Operating expenses include the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Salaries and benefits expense	**$ 190**	$ 10	$ 3
Professional services	**77**	18	2
Rent	**24**	—	—
Technology	**42**	2	1
Sales and capital taxes	**48**	1	—
Depreciation of property and equipment	**13**	—	—
Other	**39**	4	—
Total operating expenses	**$ 433**	$ 35	$ 6

NOTE 19. INCOME TAXES

Income taxes are recognized for the amount of taxes payable by the company's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The company's income tax expense is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Current tax:			
Current tax on profits for the year	**$ 36**	$ —	$ 1
Adjustments in respect of prior years	**(15)**	—	—
Total current tax expense	**21**	—	1
Deferred tax:			
Origination and reversal of temporary differences	**33**	2	—
Adjustments in respect of prior years	**14**	—	—
Total deferred tax expense	**47**	2	—
Total income tax expense	**$ 68**	$ 2	$ 1

The below reconciliation has been prepared using a statutory income tax rate of 16.4% (2021 – 6.4% and 2020 – 26.5%). The statutory income tax rate is calculated using domestic tax rates applicable to the jurisdictions in which the company's corporate subsidiaries operate in the given year.

The company's income tax expense is reconciled as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Net (loss) income before income tax	**$ 560**	$ (42)	$ 2
Income tax at statutory tax rate	**92**	(3)	1
Tax effect of:			
International operations subject to different tax rates	**(20)**	5	—
Other	**(4)**	—	—
Total income tax expense	**$ 68**	$ 2	$ 1

The company's effective tax rate is different from the company's statutory income tax rate due to the following differences set out below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Statutory income tax rate	**16.4%**	6.4%	26.5%
Increase (reduction) in rate resulting from:			
International operations subject to different tax rates	**(3.6)%**	(11.1)%	15.9 %
Other	**(0.7)%**	— %	(13.0)%
Effective income tax rate	**12.1 %**	(4.7)%	29.4 %

The gross movement on the deferred tax asset is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021
Deferred tax asset, beginning of year	**$ 20**	$ —
Recognized in net income (loss)	**(47)**	(2)
Business combination	**369**	2
Recognized in equity	**188**	—
Foreign exchange and other	**1**	20
Deferred tax assets, end of year	**$ 531**	$ 20

Deferred tax asset recognized relates to the following temporary differences:

AS AT DEC. 31 US$ MILLIONS	**2022**	2021
Non-capital loss carryforwards	**$ 7**	$ 18
Investments	**404**	—
Future policy benefits	**107**	—
Participating policyholder liabilities	**55**	—
Deferred acquisition costs	**(41)**	—
Tax credit carryforwards	**4**	2
Other	**(5)**	—
Deferred tax asset	**$ 531**	$ 20

The company evaluates the deferred tax asset based on, amongst other factors, historical operating results, expectation of future profitability, and the duration of the applicable statutory carryforward periods for tax attributes. Based on the evaluation of the deferred tax asset as of December 31, 2022, the company determined that the deferred tax asset would be realized within the applicable statutory carryforward period.

Income tax recovery recognized in other comprehensive income consist of the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Fair value through OCI securities	**$ (186)**	$ —	$ —
Revaluation of pension obligation	**(2)**	—	—
Total income tax recovery in other comprehensive income	**$ (188)**	$ —	$ —

NOTE 20. SHARE CAPITAL

As at December 31, 2022 and 2021, the company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $33.70 per share;

ii. 500,000,000 Exchangeable Class A-1 Limited Non-Voting Shares with a par value of $33.70 per share;

iii. 500,000 Class B Limited Voting Shares with a par value of $33.70 per share;

iv. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;

v. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;

vi. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;

vii. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;

viii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the company as at December 31, 2022 and December 31, 2021 comprises the following:

	December 31, 2022		December 31, 2021	
	Number of shares	Value	Number of shares	Value
Issued				
Class A exchangeable shares	**9,594,989**	**$ 422**	10,877,989	$ 535
Class B shares	**24,000**	**1**	24,000	1
Class C shares	**40,934,623**	**1,467**	23,544,548	963
Class A junior preferred shares[1]	**100,460,280**	**2,512**	—	—

1. The company's class A junior preferred shares are classified as liabilities on the Statements of Financial Position.

The movement of shares issued and outstanding is as follows:

AS AT AND FOR THE YEAR ENDED DEC.31, 2022	Class A exchangeable shares	Class B shares	Class C shares	Class A junior preferred shares
Outstanding, beginning of year	10,877,989	24,000	23,544,548	—
Issued (Repurchased)				
Issuances	—	—	17,390,075	100,460,280
Repurchases	(1,283,000)	—	—	—
Outstanding, end of year	**9,594,989**	**24,000**	**40,934,623**	**100,460,280**

AS AT AND FOR THE YEAR ENDED DEC.31, 2021	Class A exchangeable shares	Class B shares	Class C shares	Class A junior preferred shares
Outstanding, beginning of year	—	—	—	—
Issued (Repurchased)				
Issuances	10,877,989	24,000	23,544,548	—
Repurchases	—	—	—	—
Outstanding, end of year	**10,877,989**	**24,000**	**23,544,548**	**—**

On May 25, 2022, the company issued 11,270,466 class C shares for $450 million and 98,351,547 class A junior preferred shares for $2.5 billion to Brookfield.

On November 4, 2022, Brookfield converted its holdings of 675,000 Brookfield Reinsurance class A exchangeable shares for $27 million into 1,066,471 class C shares.

On December 1, 2022, Brookfield converted its holdings of 608,000 Brookfield Reinsurance class A exchangeable shares for $24 million into 5,053,138 class C shares.

On December 9, 2022, Brookfield Reinsurance issued 2,108,733 class A junior preferred shares for $53 million to Brookfield.

NOTE 21. EARNINGS PER SHARE

The components of basic earnings per share are summarized in the following table:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	**2022**	2021
Net income (loss) for the year	**$ 492**	$ (44)
Attributable to:		
Brookfield Corporation	**—**	5
Class A exchangeable and Class B shareholders	**6**	3
Class C shareholders	**484**	(52)
Non-controlling interests	**2**	—
Weighted average shares – Class C shares	**30,919,577**	19,903,823
Earnings per share per class C share - basic	**$ 15.68**	$ (2.58)

NOTE 22. RISK MANAGEMENT

The management of risk is central to the success of the business. The company seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in business processes.

The Board has overall responsibility for the management of risk and is supported through formal committees of the Board.

The company manages risk by applying the principles and guidelines outlined in the enterprise risk management framework presented to the Brookfield Reinsurance Board (the "ERM Framework"). The ERM Framework establishes the overall risk management framework that includes the following:

- Risk inventory – identifies and defines the risks arising from the company's business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;
- Risk appetite – determines the nature and amount of risk the company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;
- Risk governance – establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the company; and
- Risk management process – codifies a consistent approach to the identification, assessment, measurement, control, monitoring and reporting of risks faced by the company.

As part of the risk governance framework, the company operates a three lines of defense model. Under this model, the accountabilities of each line of defense are:

- First line – business management: day to day responsibility for managing and identifying risks, ensuring activities are within risk appetite and established policies, and designing and implementing effective internal controls;
- Second line – risk management function: establish enterprise governance, risk and control strategies and policies; provide oversight and independent effective challenge to the first line, as well as training, tools and advice; and

- Third line – internal audit: independently verify the adequacy and effectiveness of the first and second lines of defense, and that the enterprise risk management framework is operating effectively.

An Own Risk and Solvency Assessment ("ORSA") is undertaken by BAC, NER SPC and American National at least annually. The primary purpose of the ORSA exercise is to allow the entities to incorporate an analysis of the internal capital needs into the risk management frameworks. The ORSA involves a comprehensive assessment of the company's risks, capital needs and solvency position, as well as solvency forecasting across a range of scenarios including plausible stresses that could jeopardize the entities' business plans. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term. The ORSA provides a perspective of the capital resources necessary to achieve the entities' business strategies and remain solvent given their risk profile, as well as insight into the risk management and governance procedures surrounding these processes. BAC also evaluates its exposure to sustained adverse scenarios through other stress testing techniques such as the Financial Condition Testing ("FCT").

A Commercial Insurers' Solvency Self-Assessment ("CISSA") is undertaken by NER Ltd. at least annually. The primary purpose of the CISSA exercise is to allow NER Ltd. to incorporate an analysis of the internal capital needs into the risk management frameworks. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term, including factoring in the impact of catastrophic shocks. The CISSA framework provides a perspective of the capital resources necessary to achieve NER Ltd.'s business strategies and remain solvent given their risk profile, as well as insight into the risk management and governance procedures surrounding these processes.

The company has established recurring routines for monitoring and reporting on risks. Risks are monitored on an ongoing basis and risk management reports are provided to management on a monthly basis and to the Board on a quarterly basis. The reports include risk exposures measured against Board-approved risk appetite tolerances, and where relevant, management actions are identified to ensure risk mitigation and controls are effective. Segments and functional groups are responsible for identifying and assessing key and emerging risks on an ongoing basis.

The principal risk factors that affect the company's operations and financial condition include financial risks such as market risk, credit risk and liquidity risk, insurance risk and other risks such as regulatory risk and operational risk.

The following sections describe the primary financial risks and associated risk management strategies in place that affect the company's operations and financial condition.

a. Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, or credit spreads.

The company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and by holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures.

Financial instruments held by the company that are subject to market risk include financial assets, borrowings and derivative instruments.

(i) Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature.

The company is exposed to interest rate risk within the investment portfolio it maintains to meet the obligations and commitments under its insurance contracts, in that the proceeds from the assets may not be sufficient to meet the company's obligations to policyholders. In addition, the company's borrowing consist of fixed-rate and floating-rate debt.

The company manages interest rate risk through an asset liability management ("ALM") framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance contract liabilities. Within the context of the ALM framework, the company may use derivatives including interest rate swaps and bond futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

The Investment Policy outlines the duration constraints that have been approved by the Board. In operationalizing these constraints, considerably more confining duration-based targets have been established that are closely monitored and reported to management in monthly business updates and to the Board on a quarterly basis.

The Investment Policy is reviewed at least annually and approved by the Board.

The following table shows the sensitivity to changes in interest rates:

	2022		2021	
AS AT DEC. 31 US$ MILLIONS	**50 bps increase**	**50 bps decrease**	50 bps increase	50 bps decrease
Impact on profit and loss	**$ 121**	**$ (127)**	$ (143)	$ 222
Impact on equity	**91**	**(95)**	(148)	227

(ii) Foreign exchange risk

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than USD.

The company's obligations under its insurance contracts are denominated in USD or Canadian dollars ("CAD") but a portion of the assets supporting these liabilities are denominated in non-USD.

The company manages foreign exchange risk using foreign exchange forwards and currency swaps. The Investment Policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

The company holds financial instruments with net unmatched exposures in non-USD currencies, with changes in the translated value recorded in net income. As at December 31, 2022, a 1% fluctuation in USD against non-USD currencies would have an impact of approximately $20 million on net income and $20 million on equity (December 31, 2021 - $1 million on net income and $1 million on equity).

(iii) Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

At December 31, 2022, the company held approximately $1.4 billion of equity investments, approximately 4% of total investment assets, which are subject to equity risk. The company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The company mitigates the equity risk by diversification of the investment portfolio.

The company also has equity risk associated with the equity-indexed life and annuity products the company issues. The company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

b. Credit risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance.

The company is primarily exposed to credit risk through its investments in debt securities and loans and receivables. The company is also exposed to risks created by changes in market prices and cash flows associated with fluctuations in the credit spread or the market's perception of the relative risk and reward to hold fixed maturity securities of borrowers with different credit characteristics or credit ratings. The company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy.

The company is subject to credit risk associated with the reinsurance agreements. The reinsurance results in liability to pay the policyholders, and the company remains primarily liable to the policyholders for the risks . The company regularly monitors the financial strength of the reinsurers and the levels of concentration to individual reinsurers to verify they meet established thresholds.

The company's use of derivative instruments exposes it to credit risk in the event of non-performance by the counterparties. The company has a policy of only dealing with counterparties that are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The company holds collateral in cash and notes secured by U.S. government backed assets. The non-performance risk from derivative instruments is the net counterparty exposure based on the fair value of the open contracts, less the fair value of collateral held.

The carrying amount of assets included in the Statements of Financial Position represents the maximum credit exposure. No impairment provision has been made.

(i) Asset quality

The following table summarizes the external credit ratings for investments and reinsurance funds withheld:

AS AT DEC.31, 2022 US$ MILLIONS	AAA	AA	A	BBB	BB and below	Unrated	Total
Bonds	$ 1,094	$ 2,014	$ 6,517	$ 6,057	$ 1,464	$ —	$ 17,146
Asset-backed securities	218	205	629	414	133	3	1,602
Private debt	—	—	133	—	—	123	256
Preferred shares	—	—	2	30	3	38	73
Private loans	—	—	4	18	411	739	1,172
Mortgage loans	—	—	1,583	2,370	1,827	150	5,930
Reinsurance funds withheld	925	278	1,136	2,427	144	700	5,610
Total exposure to credit risk	**$ 2,237**	**$ 2,497**	**$ 10,004**	**$ 11,316**	**$ 3,982**	**$ 1,753**	**$ 31,789**

AS AT DEC.31, 2021 US$ MILLIONS	AAA	AA	A	BBB	BB and below	Unrated	Total
Bonds	$ 500	$ 48	$ 1,450	$ 1,209	$ 188	$ —	$ 3,395
Asset-backed securities	12	7	51	61	37	—	168
Private debt	—	—	—	—	—	137	137
Preferred shares	—	—	7	—	2	10	19
Private loans	—	—	60	55	188	265	568
Mortgage loans	—	—	—	—	—	188	188
Reinsurance funds withheld	819	228	891	2,484	135	93	4,650
Total exposure to credit risk	**$ 1,331**	**$ 283**	**$ 2,459**	**$ 3,809**	**$ 550**	**$ 693**	**$ 9,125**

The company's overall target credit quality for the portfolio is a credit rating of BBB+ (2021 - BBB+). As at December 31, 2022 and 2021, the company met this requirement.

(ii) Concentration

Concentrations of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics, such as groups of issuers in the same economic or geographic regions or in similar industries.

The carrying value of debt securities and loans and receivables by geographic location is shown in the following table. The geographic location is based on the country of the creditor's parent.

AS AT DEC. 31 US$ MILLIONS	**2022**		2021	
United States	**$ 21,721**	**83 %**	$ 2,826	64 %
Canada	**1,836**	**7 %**	1,352	30 %
Other	**2,602**	**10 %**	278	6 %
Total	**$ 26,159**	**100 %**	$ 4,456	100 %

The carrying value of debt securities and loans and receivables by sector and industry is shown in the following table:

AS AT DEC. 31 US$ MILLIONS	**2022**		2021	
Financials	**$ 5,096**	**19 %**	$ 649	15 %
Utilities	**1,333**	**5 %**	196	4 %
Industrials	**1,158**	**4 %**	199	4 %
Energy	**1,714**	**7 %**	752	17 %
Real estate	**6,589**	**25 %**	391	9 %
Consumer	**1,824**	**7 %**	187	4 %
Information technology	**975**	**4 %**	310	7 %
Others	**7,470**	**29 %**	1,772	40 %
Total	**$ 26,159**	**100 %**	$ 4,456	100 %

(iii) Derivative counterparties

Credit risk also arises in respect of derivative contracts to the extent that there is the potential for the counterparties to default on their obligations. To manage this risk, derivative transactions are limited to an approved list of counterparties and in some cases are fully collateralized with highly rated instruments. The derivative counterparty risk as of December 31, 2022 and 2021 was $44 million and $146 million, respectively. As at December 31, 2022, these counterparties have a credit rating of BBB- or higher (2021 - A or higher).

(iv) Reinsurance counterparties

The company has reinsurance contracts with third-party reinsurers with a total exposure of $570 million at December 31, 2022 (December 31, 2021 – $169 million). To manage counterparty risk, reinsurance transactions are limited to an approved list of reinsurers with concentration limits to any single reinsurer.

Under the reinsurance contracts with third-party unregistered reinsurers, highly rated assets are required to be pledged to the company to fully support the ceded reserves. The company maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, the company has the right to liquidate or take legal possession of these assets, in a timely manner.

As at December 31, 2022, the credit ratings of the reinsurers are BBB+ or higher (December 31, 2021 - A+).

NER Ltd. and NER SPC have reinsurance contracts with third-party cedants with a total exposure of $5.6 billion at December 31, 2022 (December 31, 2021 – $6.3 billion).

As at December 31, 2022, the credit ratings of the third-party cedants are A- or higher (December 31, 2021 - A- or higher).

(v) Impaired Assets

The company reviews all reinsurance assets at each reporting date and determined that there was no evidence of impairment as at December 31, 2022 and 2021.

c. Liquidity risk

Liquidity risk is the risk that the company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

Cash outflows primarily consist of benefit payments to policyholders and to a lesser extent, operating expenses and settlement of derivative contracts.

The following table sets out the expected maturity profile of the company's financial liabilities:

AS AT DEC.31, 2022 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Future policy benefits	$ 1,078	$ 2,142	$ 1,793	$ 10,758	$ 15,771
Policyholders' account balances	1,288	2,576	1,717	8,729	14,310
Policy and contract claims	162	321	214	1,089	1,786
Unearned premium reserve	99	195	130	662	1,086
Due to related party	294	3	2	10	309
Reinsurance payable	16	36	19	19	90
Derivative liabilities	38	—	—	—	38
Other policyholder funds	29	58	39	196	322
Notes payable	11	62	6	72	151
Corporate borrowings	1,810	—	350	—	2,160
Subsidiary borrowings	—	—	1,000	492	1,492
Deferred revenue	5	8	7	58	78
Liabilities issued to reinsurance entities	—	—	—	151	151
Funds withheld liabilities	10	—	—	—	10
Preferred shares	—	—	—	2,512	2,512
Other liabilities	395	235	47	54	731
Separate account liabilities	95	188	125	637	1,045
Total	**$ 5,330**	**$ 5,824**	**$ 5,449**	**$ 25,439**	**$ 42,042**

AS AT DEC.31, 2021 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Future policy benefits	$ 368	$ 769	$ 792	$ 6,568	$ 8,497
Due to related party	467	—	—	—	467
Reinsurance payable	21	14	15	25	75
Derivatives	1	—	—	—	1
Corporate borrowings	656	37	—	—	693
Deferred revenue	4	7	7	64	82
Liabilities issued to reinsurance entities	—	—	—	167	167
Funds withheld liabilities	12	—	—	—	12
Other liabilities	64	—	—	—	64
Total	**$ 1,593**	**$ 827**	**$ 814**	**$ 6,824**	**$ 10,058**

To manage liquidity risk, the company as part of its ALM framework, purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to closely match those of the annuity policy liabilities. The company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

In addition, the company has a credit agreement with Brookfield as lender, providing for a three-year $400 million revolving credit facility in addition to $500 million third-party revolving credit facilities with external banks. As at December 31, 2022 there were no amounts drawn on the Brookfield Credit Agreement (December 31, 2021 – $Nil), and $356 million drawn on the third-party revolving credit facilities (December 31, 2021 – $37 million).

In addition, a subsidiary of the company has access to a CAD$300 million repurchase agreement (December 31, 2021 - CAD$150 million). As at December 31, 2022, there were no amounts outstanding under the repurchase agreement (December 31, 2021 – $Nil).

d. Insurance risk

PRT

Insurance risk is the risk that actual experience related to benefit payments and expenses does not emerge as expected. The company is primarily exposed to longevity risk.

Longevity risk is the risk that mortality experience occurs at lower rates than that assumed at the time of pricing which exposes the company to benefit payments that will be paid for longer periods than anticipated.

Longevity assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors established at the time of pricing. These factors take into consideration the characteristics of the annuitants including but not limited to gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data is comprised of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

These inputs and analytics support the company's assessment of longevity risk.

To reduce longevity risk within our PRT business, the company enters into longevity reinsurance transactions with third party reinsurers. Under these contracts, the company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to the company. As at December 31, 2022, the company has entered into longevity reinsurance contracts and has reinsured approximately 42% of its longevity risk (December 31, 2021 – 71%).

The following table shows the sensitivity to changes in longevity risk. These sensitivities reflect the impact of any applicable ceded reinsurance arrangements.

AS AT DEC.31, 2022 US$ MILLIONS	Mortality Rate 5% Increase	Mortality Rate 5% Decrease	Mortality Improvement 50% Increase	Mortality Improvement 50% Decrease
Impact on profit and loss	**$ 21**	**$ (22)**	**$ (26)**	**$ 26**
Impact on equity	**21**	**(22)**	**(26)**	**26**

AS AT DEC.31, 2021 US$ MILLIONS	Mortality Rate 5% Increase	Mortality Rate 5% Decrease	Mortality Improvement 50% Increase	Mortality Improvement 50% Decrease
Impact on profit and loss	$ 10	$ (9)	$ (12)	$ 13
Impact on equity	10	(9)	(12)	13

Reinsurance

NER SPC reinsures fixed indexed annuity products only. Generally, the assumptions that are the most sensitive for fixed indexed annuity products are changes to investment yields, utilization rates, partial withdrawal rates, lapse rates and mortality. However, our reserves are less sensitive to changes in assumption at this point in time considering the mechanics of our reserving process.

At treaty inception, projected base contract cash flows are bifurcated into two parts: a host liability that reserves for contractually guaranteed payments and an embedded derivative that represents the value of payments in excess of guarantees; for the current treaty, the host liability makes up the vast majority of the reserve liability. The host liability after inception is calculated using an effective yield approach based on a host accrual rate that equates the present value of actual and projected future guaranteed benefit payments to the initial host liability. The host accrual rate is revised as experience emerges, actual cash flows replace projected, and best estimate assumptions about the future are updated. Given this financial year end is only six months following treaty inception, the impact of rolling forward at a different accrual rate recalibrated from changing assumptions is minimized by the short period.

Investment yield risk is a shift in market interest rates associated with investment fixed income instruments. T he embedded derivative, measured at fair value, is most sensitive to investment yields as this directly affects its discount rate.

The following table shows the impact on the overall liability to changes in mortality (as described in PRT sensitivity) and changes to investment yields:

	Mortality Rate		Yield	
AS AT DEC.31, 2022 US$ MILLIONS	10% Increase	10% Decrease	50 bps Increase	50 bps Decrease
Impact on profit and loss	**$ (1)**	**$ 2**	**$ (10)**	**$ 10**
Impact on equity	**(1)**	**2**	**(10)**	**10**

	Mortality Rate		Yield	
AS AT DEC.31, 2021 US$ MILLIONS	10% Increase	10% Decrease	50 bps Increase	50 bps Decrease
Impact on profit and loss	$ (1)	$ 1	$ (11)	$ 12
Impact on equity	(1)	1	(11)	12

Direct insurance

The insurance products are designed to balance features desired by the marketplace with provisions that mitigate the risk exposures across the insurance products portfolio. The company employ underwriting standards to help ensure proper rates are charged to different classes of risks. In the life insurance and annuity products, the company seeks to mitigate disintermediation risk, the risk of large outflows of cash at times when it is disadvantageous to he company to dispose of invested assets, with surrender charges and market value adjustment features.

The process of linking the timing and the amount of payment obligations related to our insurance and annuity contracts and the cash flows and valuations of the invested assets supporting those obligations is commonly referred to as ALM. The ALM Committee, including many of the company's senior executive officers, regularly monitors the level of risk in the interaction of assets and liabilities and helps shape actions intended to attain the desired risk-return profile. Investment allocations and duration targets are also intended to manage the risk exposure in the annuity products by setting the credited rate within a range supported by our investments. Tools that help shape investment decisions include deterministic and stochastic interest rate scenario analyses using a licensed third-party economic scenario generator and detailed insurance ALM models. These models also use experience related to surrenders and claims.

The company also manages risk by purchasing reinsurance to limit exposure in the Life, Health, and Property and Casualty. In the Life line, the company currently retains 100% of newly developed permanent and term products up to the retention limit and cede the excess exposure to reinsurers that are evaluated for their credit strength. Consistent with the corporate risk management strategy, the company periodically adjusts the Life reinsurance program and retention limits as market conditions warrant. In the Health line, the company uses reinsurance on an excess of loss basis for the Managing General Underwriter ("MGU") stop-loss business. In the Property and Casualty line, the reinsurance program provides coverage for some individual risks with exposures above certain amounts as well as exposure to catastrophes including hurricanes, tornadoes, wind and hail events, earthquakes, fires following earthquakes, winter storms, and wildfires. In all product lines, the company purchases reinsurance from multiple providers and regularly review the financial strength ratings of the reinsurers. Reinsurance does not remove the liability to pay the policyholders, and the company remain liable to the policyholders for the risks the company insures.

In the Property and Casualty line, the use of catastrophic event models is an important element of risk management. These models assist in the measurement and management of exposure concentrations and the amount and structure of reinsurance purchases. In addition to reinsurance, we manage exposure to catastrophic risk by limiting property exposure in areas with heightened brush fire risks and exposures and in coastal areas, implementing hurricane, wind and hail deductible requirements where appropriate, and not renewing coverage, when permitted by applicable law, in regions where we believe exposure to risky events exceeds our risk appetite.

The following table shows the sensitivity to changes in insurance risk. These sensitivities reflect the impact of any applicable ceded reinsurance arrangements.

AS AT DEC.31, 2022 US$ MILLIONS	Mortality Rate 3% Increase	Mortality Rate 3% Decrease	Lapse Rate 5% Increase	Lapse Rate 5% Decrease
Impact on profit and loss	**$ (86)**	**$ 86**	**$ (45)**	**$ 45**
Impact on equity	**(86)**	**86**	**(45)**	**45**

e. Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

The company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board.

Disaster recovery and business continuity plans have also been established to manage the company's ability to operate under adverse conditions.

f. Regulatory risk

Regulatory risk stems principally from the risk of changes to the regulatory environment in which the company operates. To manage this risk, the company seeks to a have a regular dialogue with regulators to ensure compliance. Furthermore, senior management participates in industry groups and professional bodies to stay apprised of regulatory changes.

NOTE 23. RELATED PARTY TRANSACTIONS

In the normal course of operations, the company entered into the transactions below with related parties.

a) Brookfield Reinsurance agreements

As described in Note 1(b)(iv), Brookfield provided to the company an equity commitment in the amount of $2.0 billion to fund future growth, which the company may draw on from time to time. As of December 31, 2022, there were no amounts drawn under the equity commitment.

As described in Note 1(b)(v), as of December 31, 2022, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

As described in Note 1(b)(vi), the company entered into the Support Agreement on June 28, 2021. The base fee for the year ended December 31, 2022 was $Nil (December 31, 2021 - $Nil).

As described in Note 1(b)(vii), the company entered into the Rights Agreement on June 28, 2021. The base fee for the year ended December 31, 2022 was $Nil (December 31, 2021 - $Nil).

As described in Note 1(b)(viii), the company entered into the Administration Agreement on June 28, 2021. The base and other fees for the year ended December 31, 2022 was $2 million (December 31, 2021 - $0.4 million). On August 5, 2022, the Administration Agreement was amended to include providing the services of the Chief Financial Officer.

As described in Note 1(b)(ix), the company entered into an Investment Management Agreement with Brookfield Asset Management on June 28, 2021. The base investment management fee for the year ended December 31, 2022 was $40 million (December 31, 2021 - $4 million).

As described in Note 1(b)(x), the company entered into the Brookfield Licensing Agreement on June 28, 2021. The base fee for the year ended December 31, 2022 was $Nil (December 31, 2021 - $Nil).

b) Other related party transactions

On March 10, 2020, BAC entered into lease and building service arrangements with Brookfield Properties (Canada) Inc. and BPO Ontario Properties Ltd. (collectively, "BPO"), subsidiaries of Brookfield. The amount paid to BPO for the leased office facilities and building maintenance for the year ended December 31, 2022 totaled $0.7 million (December 31, 2021 – $0.4 million). As at December 31, 2022, lease liabilities relating to this arrangement were $1 million (December 31, 2021 – $1 million).

BAC entered into outsourcing arrangements with Brookfield related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to Brookfield for these services for the year ended December 31, 2022 totaled $1 million (December 31, 2021 – $0.3 million). Amounts due to Brookfield related to outsourcing arrangements at December 31, 2022 totaled $0.7 million (December 31, 2021 – $0.5 million).

On January 7, 2022, Brookfield International Holdings Inc. ("BIHI"), a subsidiary of Brookfield, issued a $255 million loan to NER SPC. This amount was fully repaid during the year.

On December 23, 2022, Brookfield Reinsurance Investments LP ("BRILP"), a subsidiary of the company, entered into two loan agreements with the subsidiaries of Brookfield in the amount of $100 million and CAD $300 million, respectively.

During the year, NER SPC made a $379 million full repayment and interest of its outstanding loan balance with BIHI.

During the year, Brookfield Treasury Management Inc. ("BTMI") advanced BAM Re Holdings $269 million via promissory notes. BAM Re Holdings made a $50 million partial repayment of its outstanding loan balance with BTMI.

During the year, subsidiaries of the company purchased investments of $3.3 billion from Brookfield and its subsidiaries. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

As at December 31, 2022, the company and its subsidiaries held investments in affiliated companies in total of $4 billion.

The company had $779 million of cash on deposit with wholly-owned subsidiaries of Brookfield as at December 31, 2022 (December 31, 2021 – $64 million).

NOTE 24. SEGMENT REPORTING

Effective as of the second quarter of 2022, the company's operations are organized into three operating segments: Reinsurance, PRT and Direct Insurance. These segments are regularly reviewed by the company’s chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and to assess its performance. Prior to this, operations were attributable to two segments: Reinsurance and PRT. During the second quarter of 2022, the company acquired American National and thus, reporting to the CODM was changed. The periods presented prior to the acquisition of American National reflect the company's operations attributable to two segments.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("Distributable Operating Earnings", or "DOE").

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, net income from our equity accounted investments, mark-to-market on investments and derivatives, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. DOE allows the CODM to evaluate the company’s segments on the basis of return on invested capital generated by its operations and allows the company to evaluate the performance of its segments.

The tables below provide each segment's results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Reinsurance[1]	Pension Risk Transfer[2]	Direct Insurance[3]	**Total**
Net premiums and other policy related revenues	$ 1,246	$ 1,560	$ 1,678	**$ 4,484**
Other net investment income, including funds withheld	230	120	717	**1,067**
Segment revenues	1,476	1,680	2,395	**5,551**
Proportionate share of equity accounted investment adjusted earnings	47	—	—	**47**
Benefits paid on insurance contracts, net	(323)	(156)	(1,156)	**(1,635)**
Changes in insurance reserves, net	(1,152)	(1,488)	(10)	**(2,650)**
Changes in deferred acquisition costs	160	—	125	**285**
Interest credited to other policyholder account balances	—	—	(156)	**(156)**
Other insurance and reinsurance expenses	(125)	—	(413)	**(538)**
Operating expenses excluding transactions costs	(21)	(15)	(329)	**(365)**
Interest expense	(23)	—	(41)	**(64)**
Current income tax (expense) recovery	—	—	(21)	**(21)**
Segment DOE	**39**	**21**	**394**	**454**
Interest expense on junior preferred shares				**(67)**
Depreciation expense				**(13)**
Income tax expenses				**(47)**
Transaction costs				**(31)**
Mark-to-market on investments and derivatives				**208**
Other corporate activities, net				**(63)**
Less: Proportionate share of equity accounted investment adjusted earnings				**(47)**
Add: Income from equity accounted investments				**98**
Net income				**$ 492**

1. Net premiums in our Reinsurance segment are attributed to insurance contracts assumed from other companies.
2. Net premiums in our PRT segment include $2 million of insurance contracts ceded to other counterparties.
3. Net premiums in our Direct Insurance segment include $649 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	**Total**
Net premiums	$ 6,190	$ 1,016	$ —	**$ 7,206**
Other net investment income, including funds withheld	127	(1)	—	**126**
Segment revenues	6,317	1,015	—	**7,332**
Proportionate share of equity accounted investment adjusted earnings	8	—	—	**8**
Benefits paid on insurance contracts, net	(220)	(72)	—	**(292)**
Changes in insurance reserves, net	(6,060)	(920)	—	**(6,980)**
Other reinsurance expenses	(19)	—	—	**(19)**
Operating expenses excluding transactions costs	(6)	(12)	—	**(18)**
Interest expense	(7)	—	—	**(7)**
Segment DOE	**13**	**11**	**—**	**24**
Income tax expenses				**(2)**
Transaction costs				**(8)**
Mark-to-market on investments and derivatives				**(59)**
Other corporate activities, net				**1**
Net income				**$ (44)**

FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	**Total**
Net premiums	$ —	$ 430	$ —	**$ 430**
Other net investment income, including funds withheld	—	$ 84	—	**84**
Segment revenues	—	514	—	**514**
Benefits paid on insurance contracts, net	—	(38)	—	**(38)**
Changes in insurance reserves, net	—	(468)	—	**(468)**
Other corporate expenses	—	(6)	—	**(6)**
Current income tax expense	—	(1)	—	**(1)**
Segment DOE	**—**	**1**	**—**	**1**
Net income				**$ 1**

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers. All existing reinsurance contracts are with U.S. based insurance companies. Total premium revenues recorded within our Reinsurance segment for the year ended December 31, 2022 were from transactions with two United States ceding companies and represented 27% (2021 - 63%) and 1% (2021 - 22%) of total premium revenues,respectively.

Total premium revenues recorded within our PRT segment for the years ended December 31, 2022, 2021 and 2020 were from Canadian counterparties, with the exception of one PRT transaction closed in late 2022 for $2 million dollars with a U.S. corporate sponsor.

Total premium revenues recorded within our Direct Insurance segment for the year ended December 31, 2022 were from transactions with U.S. retail customers.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT DEC.31, 2022 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 9,226	$ 3,392	$ 29,671	$ 1,210	**$ 43,499**
Liabilities	7,602	3,091	26,223	5,126	**42,042**
Equity	$ 1,624	$ 301	$ 3,448	$ (3,916)	**$ 1,457**

AS AT DEC.31, 2021 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 7,921	$ 2,473	$ —	$ 1,099	**$ 11,493**
Liabilities	6,803	2,269	—	986	**10,058**
Equity	$ 1,118	$ 204	$ —	$ 113	**$ 1,435**

AS AT DEC.31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ —	$ 1,440	$ —	$ —	**$ 1,440**
Liabilities	—	1,357	—	—	**1,357**
Equity	$ —	$ 83	$ —	$ —	**$ 83**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

The company's non-current assets by location are as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
United States	**$ 2,020**	$ 1,121	$ —
Canada	**4**	3	2
Bermuda	**2**	1	—
Cayman Islands	**2**	1	—
Total non-current assets	**$ 2,028**	$ 1,126	$ 2

NOTE 25. PENSION AND POSTRETIREMENT BENEFIT

Savings Plans

American National sponsors a qualified defined contribution (401(k) plan) for all employees, and non-qualified defined contribution plans for certain employees whose otherwise eligible earnings exceed the statutory limits under the qualified plans.

The total expense associated with matching contributions to these plans was $11 million for 2022 (2021 - $Nil).

Pension Benefits

American National sponsors qualified and non-qualified defined benefit pension plans, all of which have been frozen. As such, no additional benefits are accrued through these plans for additional years of service credit or future salary increase credit, and no new participants are added to the plans. Benefits earned by eligible employees prior to the plans being frozen have not been affected.

The qualified pension plans are noncontributory. The plans provide benefits for salaried and management employees and corporate clerical employees subject to a collective bargaining agreement based on years of service and employee compensation. The non-qualified pension plans cover key employees and restore benefits that would otherwise be curtailed by statutory limits on qualified plan benefits.

Amount recognized in the Statements of Financial Position consist of:

	Qualified		Non-qualified	
AS AT DEC. 31 US$ MILLIONS	**2022**	2021	**2022**	2021
Reconciliation of benefit obligation				
Obligation at beginning of year	**$ —**	**$ —**	**$ —**	**$ —**
Acquisition from business combination	**343**	—	**55**	—
Interest cost on projected benefit obligation	**9**	—	**1**	—
Actuarial (gain) loss	**(10)**	—	**1**	—
Benefits paid	**(17)**	—	**(5)**	—
Obligation at end of year	**325**	—	**52**	—
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**—**	—	**—**	—
Acquisition from business combination	**499**	—	**—**	—
Actual return on plan assets	**(8)**	—	**—**	—
Employer contributions	**—**	—	**5**	—
Benefits paid	**(17)**	—	**(5)**	—
Fair value of plan assets at end of year	**474**	—	**—**	—
Funded status at end of year	**$ 149**	$ —	**$ (52)**	**$ —**

The components of net periodic benefit cost for the defined benefit pension plans are shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Interest cost	**$ 10**	$ —	$ —
Expected returns on plan assets	**(13)**	—	—
Net periodic cost (benefit)	**$ (3)**	**$ —**	**$ —**

Amounts related to the defined benefit pension plans recognized as a component of accumulated other comprehensive income are shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Actuarial gain (loss)	**$ (11)**	$ —	$ —
Deferred tax benefit (expense)	**2**	—	—
Other comprehensive income (loss), net of tax	**$ (9)**	**$ —**	**$ —**

The weighted average assumptions used are shown below:

	Used for Net Benefit Cost for year ended December 31, 2022	Used for Net Benefit Cost for year ended December 31, 2021
Discount rate	**5 %**	**— %**
Long-term rate of return	**6 %**	**— %**

American National's funding policy for the qualified pension plans is to make annual contributions to meet the minimum funding standards of the Pension Protection Act of 2006. American National and its affiliates did not contribute to its qualified plans in 2022, 2021 and 2020 due to the substantial contribution over minimum funding standards of $60 million made in 2018. The benefits paid from the non-qualified plans were $5 million in 2022 (2021 - $Nil). Future payments from the non-qualified pension benefit plans will be funded out of general corporate assets.

The following table shows pension benefit payments expected to be paid:

2023	**$**	**46**
2024		**39**
2025		**31**
2026		**30**
2027-2031		**158**

The investment policy for the retirement plan assets is designed to provide the highest return commensurate with sound and prudent underwriting practices. The investment diversification goals are to have investments in cash and cash equivalents as necessary for liquidity, debt securities up to 100% and equity securities up to 75% of the total invested plan assets. The amount invested in any particular investment is limited based on credit quality, and no single investment may at the time of purchase be more than 5% of the total invested assets.

Postretirement Life and Health Benefits

Under American National's various group benefit plans for active employees, life insurance benefits are provided upon retirement for eligible participants who meet certain age and length of service requirements.

The accrued postretirement benefit obligation, included in the liability for retirement benefits, was $7 million at December 31, 2022 (2021 - $Nil). These amounts were approximately equal to the unfunded accumulated postretirement benefit obligation.

NOTE 26. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2022, subsidiaries of the company had investment commitment agreements with third parties to the maximum of approximately $5.4 billion exclusive of taxes and other operating expenses (December 31, 2021 - $463 million). As at December 31, 2022, the total unfunded commitment amounts were $2.8 billion.

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobiles. The remaining long-term lease commitments at December 31, 2022 were approximately $10 million and are included in the company's Statements of Financial Position within other liabilities.

American National had aggregate commitments at December 31, 2022 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $2.0 billion of which $1.3 billion is expected to be funded in 2023, with the remainder funded in 2024 and beyond. American National had outstanding letters of credit in the amount of $4 million as of December 31, 2022.

Federal Home Loan Bank (FHLB) Agreements

The company has access to the FHLB's financial services including advances that provide an attractive funding source for short term borrowing and for access to other funding agreements. As of December 31, 2022, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $14 million and commercial mortgage loans of approximately $1.3 billion were on deposit with the FHLB as collateral for borrowing. As of December 31, 2022, the collateral provided borrowing capacity of approximately $776 million. The deposited securities and commercial mortgage loans are included in the company's Statements of Financial Position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Guarantees

American National has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by American National. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, American National would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of December 31, 2022, was approximately $121 million, while the total cash value of the related life insurance policies was approximately $143 million.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on the company's Statements of Financial Position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the midpoint of the range.

NOTE 27. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The company takes an integrated approach to risk management that involves the company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the company's risk appetite and Own Risk and Solvency Assessment ("ORSA"). Furthermore, stress techniques that include the Financial Conditions Testing ("FCT") are used to evaluate the company's capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test (“LICAT”) as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC and American National are required to follow Risk Based Capital (“RBC”) requirements based on guidelines of the National Association of Insurance Commissioners (“NAIC”). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority ("BMA"). The Enhanced Capital Requirement ("ECR") is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The company has determined that it is in compliance with all capital requirements as at December 31, 2022 and December 31, 2021.

NOTE 28. SUPPLEMENTARY INFORMATION

(a) Supplementary Insurance Information

The following table presents supplementary information for our three reportable segments:

Direct Insurance

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021	2020
Deferred acquisition cost	**$ 699**	$ —	$ —
Future policy benefits	**(21,760)**	—	—
Unearned premiums	**(1,086)**	—	—
Premium revenue	**1,456**	—	—
Net investment income	**514**	—	—
Benefits, claims, losses and settlement expenses	**(1,155)**	—	—
Amortization of deferred acquisition costs	**(296)**	—	—
Other operating expenses	**(353)**	—	—
Premium written	**1,463**	—	—

Reinsurance

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021	2020
Deferred acquisition costs	**$ 1,033**	$ 776	$ —
Future policy benefits	**(7,405)**	(6,254)	—
Premium revenue	**1,246**	6,146	—
Net investment income	**232**	125	—
Benefits, claims, losses and settlement expenses	**(449)**	(240)	—
Amortization of deferred acquisition costs and other	**(39)**	(1)	—
Other operating expenses	**(21)**	(9)	—

Pension Risk Transfer

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Future policy benefits	**$ (3,024)**	$ (2,243)	$ (1,339)
Premium revenue	**1,558**	1,016	430
Net investment income	**(301)**	(1)	84
Benefits, claims, losses and settlement expenses	**(156)**	(72)	(38)
Other operating expenses	**(16)**	(12)	(6)

(b) Reinsurance Ceded and Assumed

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	**Gross amount**	**Ceded to other companies**	**Assumed from other companies**	**Net amount**	**Percentage of amount assumed to net**
Life insurance inforce	145,928	22,145	222	124,005	— %
Premiums:					
Life insurance	1,877	51	3	1,829	— %
Accident and heath insurance	98	184	162	76	213 %
Property and liability insurance	1,289	223	43	1,109	4 %
Total premiums	**3,264**	**458**	**208**	**3,014**	7 %

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS					
Life insurance inforce	2,243	169	—	2,074	— %
Premiums:					
Life insurance	1,017	1	—	1,016	— %
Total premiums	**1,017**	**1**	**—**	**1,016**	— %

FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS					
Life insurance inforce	1,339	190	—	1,149	— %
Premiums:					
Life insurance	431	1	—	430	— %
Total premiums	**431**	**1**	**—**	**430**	— %

(c) Supplemental Information Concerning Property-Casualty Insurance Operations

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Deferred acquisition cost	**185**	—	—
Reserves for unpaid claims and claim adjustment expenses	**(1,366)**	—	—
Unearned premiums	**(1,190)**	—	—
Earned premiums	**1,108**	—	—
Net investment income	**47**	—	—
Claims and claim adjustment expenses incurred related to:			
Current year	**(782)**	—	—
Prior years	**25**	—	—
Amortization of deferred acquisition costs	**(270)**	—	—
Paid claims and claim adjustment expenses	**(708)**	—	—
Premiums written	**1,123**	—	—

NOTE 29. SUBSEQUENT EVENTS

On February 8, 2023, the company announced a definitive merger agreement to acquire Argo Group International Holdings, Ltd. ("Argo") in an all-cash transaction for approximately $1.1 billion. The merger is expected to close in the second half of 2023, subject to approval by Argo shareholders and other closing conditions.

Since December 31, 2022, the company has issued 1,165,000 of class A shares from treasury to third-parties in exchange for 1,165,000 Brookfield shares. The shares were distributed to Brookfield as a dividend on its Class C shares, valued at $38 million. During this time, Brookfield also converted its holdings of 309,307 Brookfield Reinsurance class A exchangeable shares valued at $10 million into 380,268 class C shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management's discussion and analysis ("MD&A"), covers the financial position as of December 31, 2022 and 2021 and the results of operations for the years ended December 31, 2022, 2021 and 2020. The information in this MD&A should be read in conjunction with the Combined Consolidated Financial Statements ("the financial statements") as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020. The financial statements are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS").

On December 14, 2022, the company changed its name from Brookfield Asset Management Reinsurance Partners Ltd. to Brookfield Reinsurance Ltd. and changed its trading symbol from "BAMR" to "BNRE".

Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "company" means Brookfield Reinsurance Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Corporation (formerly Brookfield Asset Management Inc.), its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Forward-Looking Information".

Overview of Our Business

Our company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020. Our company operates a capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. Our business is presently conducted through our subsidiaries under three operating segments, which we refer to as our Reinsurance business, our Pension Risk Transfer ("PRT") business and our Direct Insurance business. Refer to the "Lines of Business" section of the MD&A for further details on our operating segments' business.

Continuity of Interest

Our company was established on December 10, 2020 by Brookfield, and on June 28, 2021 Brookfield completed the Spin-off of the company by way of a special dividend to holders of Brookfield's Class A and Class B Limited Voting Shares. Prior to the Spin-off, Brookfield controlled the portion of our business that was spun off to form our company (the "Business"). The Business transferred in connection with the Spin-off represented common control transactions recorded at historical carrying values. In accordance with the company accounting policy, the company has reflected the Business in its financial position and results of operations using Brookfield's carrying value, prior to the Spin-off. To reflect this continuity of interest, the financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the company, including the adjustments associated with the Spin-off and the execution of several agreements. Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

Basis of Presentation

The company holds a direct 100% ownership interest in BAM Re Holdings Ltd. (“BAM Re Holdings”), which holds the company’s interest in its operating subsidiaries North End Re Ltd. (“NER Ltd.”), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC") and American National Group, LLC. (“American National”).

Through its operating subsidiaries, our company offers a broad range of insurance products and services to individuals and institutions, including life insurance, individual and group annuities, health insurance, credit insurance and property and casualty insurance for personal lines, agribusiness and certain commercial exposures. The principal operating entities of the company generally maintain their own independent management and infrastructure.

The following financial data is derived from our financial statements that are prepared in accordance with IFRS. Non-IFRS measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Key Financial Data

The following present key financial data of the company:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Total assets	**$ 43,499**	$ 11,493	$ 1,440
Net income (loss)	**492**	(44)	1
Adjusted equity[1]	**4,852**	1,451	79
Distributable Operating Earnings[1,2]	**388**	30	1

1. Distributable operating earnings and adjusted equity are Non-IFRS measures. See “Reconciliation of Non-IFRS Measures”.
2. Distributable operating earnings for the year ended 2022 is inclusive of $66 million of net corporate costs relating to activities outside of our three operating segments (2021 - $6 million; 2020 - Nil)

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the years ended December 31, 2022, 2021 and 2020.

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Net premiums and other policy revenue	**$ 4,484**	$ 7,162	$ 430
Net investment income, including funds withheld	**617**	79	84
Total revenues	**5,101**	7,241	514
Income from equity accounted investments	**222**	8	—
Net benefits and claims paid on insurance contracts	**1,635**	292	38
Change in future policy benefits	**2,189**	6,980	468
Interest credited to policyholders' account balances	**156**	—	—
Commissions for acquiring and servicing policies	**412**	—	—
Changes in deferred acquisition costs	**(383)**	(44)	—
Other reinsurance expenses	**125**	19	—
Operating expenses	**433**	35	6
Interest expense on borrowings	**129**	9	—
Interest expense on preferred shares	**67**	—	—
Total benefits and expenses	**4,763**	7,291	512
Net income (loss) before income taxes	**560**	(42)	2
Income tax expense	**(68)**	(2)	(1)
Net income (loss) for the year	**$ 492**	$ (44)	$ 1

2022 vs. 2021

For the year ended December 31, 2022, we reported net income of $492 million, compared to a net loss of $44 million in the prior year.

Net premiums and other policy revenue of $4.5 billion decreased by $2.7 billion for the year ended December 31, 2022, relative to the same period in 2021. During the year, the company closed 28 PRT deals, representing $1.6 billion of premiums (December 31, 2021 - 26 deals, $1.1 billion premiums). We recorded $1.7 billion of premiums and other policy revenues related to American National, for the period following the close of the acquisition on May 25, 2022. The increase in new business within our Direct Insurance and PRT segments in 2022 was partially offset by the absence of $6.2 billion of large-block reinsurance transactions which closed in September and October 2021. During 2022, we wrote $1.2 billion of flow reinsurance premiums on existing reinsurance transactions.

Net investment income, including funds withheld increased by $538 million for the year ended December 31, 2022, relative to the same period in 2021. Net investment income is comprised of interest and dividends received as well as realized and unrealized gains and losses on financial instruments.

Interest and dividends received increased by $648 million as a result of the growth in our investment portfolio and capital redeployed within recently closed transactions, as well as rising interest rates. Across each of our business segments, we deployed the capital from transactions closed during the year into accretive, higher yielding investments, driving a step up in our net investment spreads. During the year, across our Direct Insurance, Reinsurance and PRT businesses we redeployed approximately $7 billion of existing assets (2021 - $5 billion).

Realized net investment income, including funds withheld, increased by $147 million for the year ended December 31, 2022, relative to the same period in 2021. The increase was as a result of growth in the investment portfolio and capital redeployment, as well as realized gains on the unwind of corporate hedges, which totaled $108 million in the year.

The unrealized net investment loss of $421 million (2021 - loss of $19 million) recorded in the year is primarily due to negative mark-to-market movements on investments measured under fair value through profit and loss as a result of rising interest rates and market volatility experienced during the period, partially offset by unrealized gains from embedded derivatives recorded within our reinsurance funds withheld assets. As the duration of our investment portfolio is currently shorter than the duration of our insurance contract liabilities, the negative mark-to-market on the investment portfolio was more than offset by fair value changes in our future policy benefits balances.

Equity accounted income of $222 million includes approximately $124 million related to investments in associates within our American National subsidiary, and includes a further $98 million related to the company's investment in the common equity of American Equity Investment Life Holding Company ("AEL Holdings"). In the fourth quarter of 2022, the company discontinued the use of the equity method for its investment in AEL Holdings, as a result of the loss of significant influence over the investee following the resignation of our appointed member from the AEL Holdings' Board of Directors. Equity accounted income from 2021 includes $8 million related to the company's investment in the common equity of AEL Holdings, which was recorded as an equity accounted investment starting third quarter of 2021.

Benefits and claims paid to policyholders increased by $1.3 billion for the year ended December 31, 2022, relative to the same period in 2021. The increase is due to contributions from American National, representing $1.2 billion, as well as an increase from prior year within our existing reinsurance and PRT businesses as a result of the two reinsurance transactions closed in the third and fourth quarters of 2021 and an increase in annuitants in-pay in new PRT business since the prior year.

The change in future policy benefits in the year ended December 31, 2022 decreased by $4.8 billion compared to the same period in 2021, primarily due to the absence of the two large-block reinsurance transactions in the prior year, which was partially offset by flow business from our reinsurance transactions and new business contributed since the acquisition of American National in May 2022.

The increase in interest credited to policyholders' account balances, commissions for acquiring and servicing policies were also a result of the acquisition of American National.

The change in deferred acquisition costs increased by $339 million compared to the same period in 2021, as a result of capitalized reinsurance costs associated with flow business within our Reinsurance segment, as well as new business written at American National for the period from May 25, 2022 to December 31, 2022.

Other reinsurance expenses, which includes ceding commissions and sales inducements, increased by $106 million in 2022 compared to the same period in 2021 due to a full year of contribution from reinsurance transactions in late 2021, resulting in additional reinsurance related expenses settled during the period.

Operating expenses increased by $398 million in 2022 compared to the same period in 2021, primarily driven by the inclusion of seven months of expenses from American National representing $334 million, and as a result of additional personnel, professional services and transaction expenses related to the growth of our business as well as one-time transaction costs. Operating expenses in 2022 included $31 million of transaction related expenses (2021 - $8 million).

Interest expense on borrowings increased by $120 million during the year primarily as a result of interest on subsidiary borrowings, representing $1.5 billion of acquisition financing issued at American National, as well as corporate borrowings used to temporarily warehouse investments that will be moved into our insurance companies' investment portfolios.

During the year, the company issued $2.5 billion of preferred shares to Brookfield, in connection with the acquisition of American National. While subordinated to the company's Class A and Class B equity, the junior preferred shares are treated as a liability for accounting purposes, as a result, included with interest expense is $67 million of dividends accrued on the company's preferred shares.

During the year, DOE increased by $358 million to $388 million. The increase was driven by contributions from American National, as well as increased net investment income on our corporate investments, contributions from our investment in AEL Holdings and new business and spread earnings within our PRT and Reinsurance businesses as we made progress redeploying the investments within the portfolios.

2021 vs. 2020

For the year ended December 31, 2021, we reported a net loss of $44 million, compared to net income of $1 million in 2020.

Gross premiums increased by $6.8 billion in 2021 relative to the same period in 2020. The increase included $6.2 billion related to the closing of two large-block reinsurance transactions and a higher volume of PRT deals closed as compared to 2020. During 2021, the company closed 26 PRT deals (2020 - 15), representing $1.1 billion of premiums and approximately 20% of the Canadian PRT market in 2021.

Net investment income including funds withheld decreased by $5 million for the year ended December 31, 2021, relative to the same period in 2020. Net investment income comprises of interest and dividends received, net hedging expenses, as well as realized and unrealized gains and losses on financial instruments. Interest and dividends received increased reflecting the growth in the investment portfolio. Realized gains on investments increased in period as a result of funds withheld income from our first large-block reinsurance transaction. Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the company's insurance operating companies' investment portfolios or insurance reserves. Net hedging expenses of $59 million in the year relate to costs incurred to entered into corporate hedges and are partially offset by positive mark to market of hedges entered into as at December 31, 2021. The decrease from 2020 was mainly due to net hedging expenses, partially offset by the increase in other type of net investment income.

Equity accounted income in 2021 of $8 million related to the company's investment in the common equity of AEL Holdings. The company originally acquired a 9.5% interest in AEL Holdings at the time of Spin-Off and the investment was treated as a financial asset. During 2021, as a result of a firm commitment to enter into the reinsurance agreement with American Equity Investment Life Insurance Company ("AEILIC"), we concluded that we had significant influence over AEL Holdings, and as such, derecognized the financial asset and recorded an equity accounted investment.

Gross benefits paid to policyholders increased by $247 million in 2021 due to the new reinsurance transactions and an increase in annuitants in-pay in new PRT business since the prior year period. Ceded benefits represent amounts received from reinsurers. Ceded benefits for the year ended December 31, 2021 decreased by $7 million as a result of the deferred financing associated with the ceding contract.

The gross change in insurance reserves in 2021 increased by $6.5 billion compared to the same period in 2020, primarily due to the two large-block reinsurance transactions closed as noted above, new PRT transactions closed and the impact of market movements.

Other reinsurance expenses increased by $19 million in 2021 due to the reinsurance transactions entered into during the year, resulting in additional reinsurance related expenses settled since the treaty effective dates.

Operating expenses increased by $29 million during 2021 compared to 2020 as a result of additional personnel, professional services and transaction expenses related to the build out of our business. We also recorded unrealized gains and premium cost of the options on our corporate hedging activities as at December 31, 2021 of $59 million. Subsequent to year end, in January 2022, we unwound the hedge positions for a life to date gain on the positions, and the realized gains were reflected in net income in the first quarter of 2022.

During 2021, DOE increased $29 million from the prior year to $30 million. The increase in DOE was a result of increased spread earnings within our PRT segment as a result of new business closed during the year, our proportionate share of earnings from our investment in AEL Holdings, and net earnings on our corporate investment portfolio.

CONSOLIDATED FINANCIAL POSITION

Comparison as at December 31, 2022 and December 31, 2021

The following table summarizes the financial position as at December 31, 2022 and December 31, 2021:

AS AT DEC. 31 US$ MILLIONS	2022	2021
Assets		
Cash and cash equivalents	**$ 2,145**	$ 393
Investments	**28,098**	4,943
Accrued investment income	**341**	21
Premiums due and other receivables	**436**	—
Reinsurance funds withheld	**5,610**	4,650
Derivative assets	**44**	146
Deferred tax asset	**531**	20
Equity accounted investments	**1,673**	344
Deferred acquisition costs	**1,732**	776
Reinsurance assets	**570**	169
Investment properties	**562**	—
Other assets	**610**	31
Goodwill	**102**	—
Separate account assets	**1,045**	—
Total assets	**43,499**	11,493
Liabilities		
Future policy benefits	**15,771**	8,497
Policyholders' account balances	**14,310**	—
Policy and contract claims	**1,786**	—
Unearned premium reserve	**1,086**	—
Due to related parties	**309**	467
Other policyholder funds	**322**	—
Corporate borrowings	**2,160**	693
Subsidiary borrowings	**1,492**	—
Liabilities issued to reinsurance entities	**151**	167
Preferred shares	**2,512**	—
Other liabilities	**1,098**	234
Separate account liabilities	**1,045**	—
Total liabilities	**42,042**	10,058
Equity		
Class A exchangeable and Class B	**432**	539
Class C	**1,017**	896
Non-controlling interests	**8**	—
Total equity	**1,457**	1,435
Total liabilities and equity	**$ 43,499**	$ 11,493

December 31, 2022 vs. December 31, 2021

Total assets increased by $32.0 billion during the year to $43.5 billion. The increase in total assets included $29.7 billion related to assets of American National, as well as additional transactions closed within our PRT business and flow premiums from our existing reinsurance treaties.

Cash increased by $1.8 billion during the year primarily as a result of the acquisition of American National, contributing $1.4 billion of cash and cash equivalents as at December 31, 2022.

Investments increased by $23.2 billion over the year, primarily as a result of $21.9 billion of assets associated with the acquisition of American National, as well as assets from new business written within our PRT and Reinsurance segments, partially offset by the negative mark-to-market movements on fair valued investments.

Reinsurance funds withheld increased by $960 million over the year, primarily as a result of new flow business written within our AEILIC reinsurance treaty which included the addition of new products, as well as the contribution of positive mark-to-market valuations on the embedded derivative related to reinsurance funds withheld assets.

Deferred acquisition costs, which are costs that are directly related to writing new policyholder contracts are capitalized as deferred acquisition costs to the extent that they are recoverable from gross profits, increased by $956 million as a result of capitalized reinsurance costs associated with flow business within our Reinsurance segment, as well as new business written at American National for the period from May 25, 2022 to December 31, 2022. Deferred acquisitions costs are amortized over the life of the policies in proportion to the estimated gross profits.

Equity accounted investments increased $1.3 billion during the year, including $1.7 billion related to investments in associates within our American National subsidiary. The increase was partially offset by the equity accounted investment in AEL Holdings of $344 million as at December 31, 2021, which was reclassified to financial assets at the end of 2022.

Deferred tax assets increased $511 million during the year, primarily as a result of our acquisition of American National and was partially offset by deferred tax expenses generated within our PRT business.

Other assets increased $579 million during the year, primarily as a result of property, plant and equipment, prepaid pensions obligations and intangible assets within American National.

The increase in accrued investment income and reinsurance assets, as well as the addition of premiums due, investment properties, separate account assets and goodwill are also a result of the acquisition of American National.

Future policy benefits and policyholder account balances increased $21.6 billion during the year and included $19.7 billion related to American National policyholders, as well as new business written within our PRT and Reinsurance business during the year, partially offset by settlements and negative mark-to-market valuations on the fair value of reserves within our PRT business.

Corporate and subsidiary borrowings increased by $3.0 billion during the year, primarily as a result of $1.5 billion of acquisition financing related to the acquisition of American National, as well as $1.5 billion of short-term secured corporate borrowings and additional drawings on the company's revolving credit facility for the purpose of temporarily warehousing attractive investment opportunities that will be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings.

Due to related parties decreased by $158 million during the year, primarily as a result of the repayment of short-term loans from Brookfield in connection with the reinsurance transactions closed in 2021.

The company issued $2.5 billion of junior preferred shares to Brookfield during the year. While subordinate to the company's class A and B shares, the preferred shares are treated as a liability for accounting purposes.

The increase in policy and contract claims, unearned premium reserve, other policyholder funds, separate account liabilities and other liabilities were also a result of contributions from the acquisition of American National.

Adjusted equity, which represents the total economic equity of our Company through its Class A, B, and C shares, and Junior Preferred Shares, but excluding accumulated other comprehensive income, increased $3.4 billion to $4.9 billion, as a result of positive retained earnings and the Class C and preferred share issuances to Brookfield during the year, used to fund a portion of the American National acquisition.

SEGMENT REVIEW

The company's operations are organized into three operating segments: direct insurance, reinsurance and PRT.

We measure operating performance primarily using DOE which measures our ability to acquire net insurance assets at a positive margin, and invest these assets at a return that is greater than the cost of policyholder liabilities.

Direct Insurance

The following table presents Distributable Operating Earnings of our Direct Insurance segment for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
DOE	**$ 394**	$ —	$ —

Comparison of the years ended December 31, 2022, 2021 and 2020

DOE within our Direct Insurance business represents contribution from American National for the period of May 25, 2022 to December 31, 2022. DOE in the year included contributions from our direct origination life and annuities business, benefiting from competitive sales performance and increasing investment performance. Our strong life and annuity earnings were further supplemented with P&C earnings, benefiting from our conservative approach to underwriting products. DOE related to our Direct Insurance business also includes financing costs associated with subsidiary borrowings and corporate overhead directly related to the segment.

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
DOE	**$ 39**	$ 13	$ —

Comparison of the years ended December 31, 2022, 2021 and 2020

The company's Reinsurance operating companies commenced their operations in 2021 and closed its first two large-block transactions in the last four months of 2021. The company received cash and cash equivalents upon close of the transactions, and to date, we have redeployed over $5 billion of the assets, actively increasing our net investment yield relative to our cost of funds. DOE from our Reinsurance segment also includes our proportionate share of DOE from AEL Holdings, which we account for as an equity accounted investment from the third quarter of 2021 to the third quarter of 2022.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
DOE	**$ 21**	$ 11	$ 1

Comparison of the years ended December 31, 2022, 2021 and 2020

For the year, the company closed 28 PRT deals (2021 - 26, 2020 - 15), representing $1.6 billion (2021 - $1.1 billion, 2020 - $432 million) of premiums. The increase in DOE from the prior year was a result of new business closed and the redeployment of assets into higher yielding investments, driving higher spread earnings from the prior periods, as well as the benefit of efficiencies as we scale our PRT business.

Liquidity and Capital Resources

CAPITAL RESOURCES

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, and access to the company's third-party credit facility, and our credit facility and equity commitment with Brookfield. We proactively manage our liquidity position to meet liquidity needs and continue to develop relationships with lenders who provide borrowing capacity at competitive rates, while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our corporate liquidity for the periods noted below consisted of the following:

AS AT DEC. 31 US$ MILLIONS	2022	2021
Cash and cash equivalents	**$ 784**	$ 70
Liquid financial assets	**241**	243
Undrawn credit facilities	**544**	313
Total Corporate liquidity[1]	**$ 1,569**	$ 626

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. As part of the Spin-off, Brookfield provided to the company an equity commitment in the amount of $2.0 billion to fund future growth, which the company may draw on from time to time. The equity commitment may be called by the company in exchange for the issuance of class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three year revolving $400 million credit facility in addition to our $500 million revolving credit facility with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the company will access in any particular situation will be a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to invest in a rising rate environment and secure attractive investment opportunities. Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at December 31, 2022, the company's cash and cash equivalents included $784 million of unrestricted cash resources that can be deployed to fund corporate activities as needed.

AS AT DEC. 31 US$ MILLIONS	2022	2021
Cash and cash equivalents	**$ 2,145**	$ 393
Liquid financial assets	**17,769**	6,813
Undrawn credit facilities	**544**	313
Total liquidity[1]	**$ 20,458**	$ 7,519

1. See "Performance Measures used by Management".

Comparison of the years ended December 31, 2022, 2021 and 2020

The following table presents a summary of our cash flows and ending cash balances for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Operating activities	**$ 107**	$ 1,581	$ 399
Investing activities	**(4,341)**	(3,864)	(385)
Financing activities	**5,994**	2,640	13
Cash and cash equivalents			
Cash and cash equivalents, beginning of the year	**393**	35	13
Net change during the year	**1,760**	357	27
Foreign exchange on cash balances held in foreign currencies	**(8)**	1	(5)
Cash and cash equivalents, end of the year	**$ 2,145**	$ 393	$ 35

Operating Activities

2022 vs. 2021

For the year ended December 31, 2022, we generated $107 million of cash from operating activities compared to $1.6 billion during 2021. The net decrease in the amount of cash generated in 2022 was primarily attributable to the absence of the large block coinsurance treaty closed in the prior year, which contributed $1.6 billion of net cash received on close of the transaction, which was partially offset by deferred acquisition costs on the reinsurance treaty.

2021 vs. 2020

For the year ended December 31, 2021, we generated $1.6 billion of cash from operating activities compared to $399 million during 2020. The greater amount of cash generated was primarily due to the coinsurance portion of the large block reinsurance treaty closed during the fourth quarter of 2021, which contributed $1 billion of net cash received on close of the transaction, net of total deferred acquisition costs.

Investing Activities

2022 vs. 2021

For the year ended December 31, 2022, we deployed $24 billion into new investments, including $4.1 billion relating to the acquisition of a 100% interest in American National, net of cash acquired, as well as $14 billion of redeployment into new investments within our insurance operating subsidiaries investment portfolios, which was primarily funded by the sales and maturities of liquid securities as we redeploy into higher-yielding strategies. The purchase and sales, net of maturities, resulted in net deployment of $4.3 billion of cash from investing activities, compared to $3.9 billion during the same period in 2021.

2021 vs. 2020

For the year ended December 31, 2021, we deployed $3.9 billion of cash from investing activities compared to $385 million during 2020. The greater amount of cash used in 2021 was primarily due to additional assets acquired from the reinsurance transactions, the larger number of PRT transactions during the year, portfolio rebalancing activities and additional investments held on the company's balance sheet outside of insurance and reinsurance agreements. The increase of cash used is mainly comprised of $6.0 billion of purchase of investments, partially offset by $2.1 billion of proceeds on disposal of investments.

Financing Activities

2022 vs. 2021

For the year ended December 31, 2022, we generated $6.0 billion of cash from financing activities compared to $2.6 billion generated in 2021. The cash generated in the current year primarily relates to the issuance of $2.5 billion of junior preferred shares, $450 million of Class C shares issued to Brookfield, and $1.5 billion of acquisition financing in connection with the purchase of American National, as well as $2.2 billion in additional borrowings to fund temporary corporate investments, the majority of which will be transferred into our insurance entities in the near term.

2021 vs. 2020

For the year ended December 31, 2021, we generated $2.6 billion of cash from financing activities compared to $13 million generated in the same period in 2020. The cash generated in 2021 related to $1.4 billion of cash received from the issuance of the class A exchangeable shares, class B shares and class C shares of the company during the year, and $1.1 billion of net corporate borrowings that temporarily funded corporate investments that were subsequently transferred into our insurance accounts in 2021.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As at December 31, 2022, our common equity was $1.5 billion and our adjusted equity was $4.9 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income.

Included in equity and adjusted equity was approximately $300 million invested in Canadian dollars. All cumulative translation adjustments recorded for the years ended December 31, 2022 and 2021 were related to foreign exchange movements on the Canadian dollar relative to the U.S. dollar.

As at December 31, 2022, we had a notional $2.6 billion (December 31, 2021 - $846 million) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 4, “Financial Instruments” of the financial statements.

Future Capital Obligations and Requirements

Subsidiaries of the company have investment commitment agreements to the maximum of $5.4 billion exclusive of taxes and other operating expenses (December 31, 2021 - $463 million). As at December 31, 2022, $2.6 billion was funded (December 31, 2021 - $81 million). The amounts are recognized as loans and receivables, unrated bonds and private equity investments.

For additional information, see Note 26, “Financial Commitments and Contingencies” of the financial statements.

AS AT DEC. 31 2022 US$ MILLIONS	Payments due by year				
	Total	Less than 1 year	1- 3 years	4 - 5 years	More than 5 years
Future policy benefits	**$ 15,771**	$ 1,078	$ 2,142	$ 1,793	$ 10,758
Policyholders' account balances	**14,310**	1,288	2,576	1,717	8,729
Policy and contract claims	**1,786**	162	321	214	1,089
Unearned premium reserve	**1,086**	99	195	130	662
Due to related party	**309**	294	3	2	10
Reinsurance payable	**90**	16	36	19	19
Derivative liabilities	**38**	38	—	—	—
Other policyholder funds	**322**	29	58	39	196
Notes payable	**151**	11	62	6	72
Corporate borrowings	**2,160**	1,810	—	350	—
Subsidiary borrowings	**1,492**	—	—	1,000	492
Deferred revenue	**78**	5	8	7	58
Liabilities issued to reinsurance entities	**151**	—	—	—	151
Funds withheld liabilities	**10**	10	—	—	—
Preferred shares	**2,512**	—	—	—	2,512
Other liabilities	**731**	395	235	47	54
Separate account liabilities	**1,045**	95	188	125	637
Total	**$ 42,042**	$ 5,330	$ 5,824	$ 5,449	$ 25,439

Brookfield Operating Results

An investment in the class A exchangeable shares of the company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield’s 2022 operating results is provided below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Revenues	**$ 92,769**	$ 75,731	$ 62,752
Net income	**5,195**	12,388	707

Each class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield in its continuous disclosure filings. Copies of the Brookfield’s continuous disclosure filings are available electronically on EDGAR on the SEC’s website at www.sec.gov or on SEDAR at www.sedar.com.

Lines of Business

Direct Insurance

Following closing of the acquisition of American National, American National has become the platform for our third primary operating line: direct origination of life, annuity and property and casualty insurance policies, which we refer to as direct insurance.

American National, founded in 1905 and headquartered in Galveston, Texas, offers a broad spectrum of products and services through its subsidiaries, which include life insurance, annuities, property and casualty insurance, health insurance, credit insurance, and pension products. The American National companies operate in all 50 states, the District of Columbia and Puerto Rico.

Life Insurance

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Universal Life. Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates during the contract period, subject to policy specific minimums. An equity-indexed universal life product is credited with interest using a return that is based, in part, on changes in an index, such as the Standard & Poor's 500 Index ("S&P 500"), subject to a specified minimum.

Variable Universal Life. Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the securities selected by the policyholder held in the separate account.

Credit Life Insurance. Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay to the lender the borrower's remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuities

Deferred Annuities. A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value. An equity-indexed deferred annuity is credited with interest using a return that is based, in part, on changes in an index, such as the S&P 500, subject to a specified minimum.

Single Premium Immediate Annuity ("SPIA"). A SPIA is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant's life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuities. With a variable annuity, the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits.

Property and Casualty

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners, and other similar exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner's property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles, and umbrella protection coverage.

Commercial Lines. Commercial lines are primarily focused on providing insurance to agricultural related operations and small to midsize businesses. This includes property and casualty coverage tailored for a farm, ranch, or other agricultural-related businesses. Commercial auto insurance is typically issued in conjunction with the sale of our policies covering farms, ranches, and businesses and covers specific risks involved in owning and operating motor vehicles. Business owners' property and liability insurance, workers' compensation insurance, and other commercial insurance encompassing umbrella protection coverage and other liability coverages, are also offered.

Specialty Markets. Specialty Markets products include renters, mortgage security, aviation, private flood, and credit insurance. Credit insurance provides protection to borrowers and the creditors that extend credit to them against unpaid indebtedness as a result of death, disability, involuntary unemployment, or untimely loss to the collateral securing a personal or mortgage loan.

- *Collateral* or *Creditor Protection Insurance* ("CPI"). CPI provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor's interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.
- *Guaranteed Auto Protection* or *Guaranteed Asset Protection* ("GAP"). GAP insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

As of December 31, 2022, American National and its subsidiaries had $19.7 billion of future policy benefits and policyholder account balances.

Reinsurance

Within our Reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our Reinsurance business through licensed operating companies, North End Re (Cayman) SPC ("NER SPC") and North End Re Ltd ("NER Ltd."). As of the date of this MD&A, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure a block of U.S. annuities and fixed indexed annuities. As of December 31, 2022, NER SPC and NER Ltd. had $5.9 billion and $1.5 billion (December 31, 2021 - $4.7 billion and $1.6 billion, respectively) of future policy benefits, respectively.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated in Canada and the United States. Our Canadian PRT business is operated through Brookfield Annuity Company ("BAC"), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. Under American National, we also operate a U.S. PRT business, and successfully completed its first PRT transaction in December 2022. Our North American PRT businesses are led by a team of experts in group annuities, pensions, insurance and investments.

As of December 31, 2022, we had $3.0 billion (December 31, 2021 - $2.2 billion) of future policy benefits related to PRT.

Industry Trends and Factors Affecting Our Performance

As a financial services business providing capital based solutions to the insurance industry, we are affected by numerous factors, including global economic and financial market conditions. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business. We also monitor factors such as consumer spending, business investment, the volatility of capital markets, interest rates, unemployment and the risk of inflation or deflation, which affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products offered by our business. We believe the following current trends present significant opportunities for us to grow our business.

- **Financial market volatility and dislocations across asset classes favor insurers with diverse investment portfolios and access to alternative credit.** Insurers primarily invest in public market fixed income products and are exposed to public market valuations. Insurers with an ability to diversify investment portfolios to include alternative and private credit assets provides more favorable investment performance.
- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.
- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.
- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our Statements of Financial Position within our financial statements include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The company's obligations under its insurance contracts are denominated in Canadian and United States dollars but a portion of the assets supporting these liabilities are denominated in non-Canadian and non-United States dollars. We manage foreign exchange risk using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently increased in many jurisdictions in which we operate in 2022 but remain at relatively low levels by historical standards. The company's asset liability management practices and interest rate risk management allows the company to mitigate the impact of interest rate volatility on the business. However, sudden or unexpected changes in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

The company manages interest rate risk through their asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The company mitigates the equity risk by diversification of the investment portfolio.

The company also has equity risk associated with the equity-indexed life and annuity products the company issues. The company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

Credit Risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The company is primarily exposed to credit risk through its investments in debt securities.

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block’s acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

In the future we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our financial statements.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company’s internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

We have significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board of Directors.

Disaster recovery and business continuity plans have also been established to manage the company's ability to operate under adverse conditions.

Critical Accounting Policy and Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments made by management and used in preparing the financial statements, are summarized below:

i. Future policy benefits

Contract classifications

Contracts under which the company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

Future policy benefits are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4. BAC's Appointed Actuary is responsible for determining the amount of future policy benefits in accordance with standards established by the CIA. CALM is used to determine future policy benefits and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that future policy benefits cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Future policy benefits are determined by NER Ltd. using a reserve methodology under accounting principles generally accepted in the United States of America ("US GAAP"), as permitted by IFRS 4. Future policy benefits are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Future policy benefits are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Future policy benefits are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Future policy benefits for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

Future policy benefits are determined by American National using US GAAP reserve methodology, as permitted by IFRS 4. Liabilities for future policy benefits for traditional products have been provided on a net level premium method based on estimated investment yields, withdrawals, mortality, and other assumptions that were appropriate at the time the policies were issued. Upon acquisition, the fair value of future policy benefits was determined using a Defined Valuation Net Premium (DVMP) method. Key assumptions used in calculating the fair value of future policy benefits include the net to gross premium ratio, discount rates and Provisions for Adverse Deviation (PADs) including mortality and inflation. Estimates are based on historical experience adjusted for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience. When it is determined that future expected experience differs significantly from existing assumptions, the estimates are revised for current and future issues.

Included within future policy benefits are amounts related to certain contracts or blocks of business that have negative VOBA. Negative VOBA is amortized over the duration of the respective contracts, being 30 years using the straight-line method. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions consistent with the policies described below for future policy benefits and interest sensitive contract liabilities. VOBA is the difference between the fair value of the liabilities and the reserves. Any negative VOBA is recorded within the associated reserves.

ii. Deferred acquisition costs and value of business acquired

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance, reinsurance, and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

DAC on Reinsurance business is amortized over the life of the policies in proportion to the estimated gross profits. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as DAC to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances.

Effective October 1, 2022, the company made a change in accounting policy to treat the difference between the amount paid for reinsurance contracts and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts as the cost of reinsurance that is deferred and amortized over the reinsurance contract. This was applied retrospectively as it resulted in reliable and more relevant information about the effects of the reinsurance treaty on the company's financial conditions and performance.

DAC on traditional life, including limited-pay contracts, and health products is amortized with interest over the anticipated premium-paying period of the related policies in proportion to the ratio of annual premium revenue expected to be received over the life of the policies. Expected premium revenue is estimated by using the same mortality, morbidity, and withdrawal assumptions used in computing liabilities for future policy benefits.

DAC on universal life and investment-type contracts is amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect of the realization of unrealized gains (losses) on DAC is recognized in net unrealized loss on available for sale securities in the Statements of Financial Position as of the reporting date. A change in interest rates could have a significant impact on DAC calculated for these contracts.

DAC associated with property and casualty business is amortized over the coverage period of the related policies, in relation to premiums earned.

DAC on participating whole life products is amortized in proportion to estimated gross margins. Estimated gross margins are equal to premiums, plus investment income, less benefits, less expenses not included in DAC, less the change in reserves, less dividends.

For short-duration and long-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts.

Value of Business Acquired ("VOBA") is the intangible asset representing the value assigned to contracts already in force.

In conjunction with the acquisition of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from cash flows and earnings of associated insurance policies and investment contracts. This intangible asset is based on the actuarially estimated present value of future cash flows from associated insurance policies and investment contracts acquired. The estimated present value of future cash flows used in the calculation of VOBA is based on certain assumptions, including mortality, persistency, expenses and interest rates that the company believes to be those of a market participant. The company amortizes VOBA based on the estimated premium earning patterns.

iii. Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which NER Ltd. and NER SPC, indirect wholly owned subsidiaries of the company, act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by NER Ltd. and NER SPC. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, NER Ltd. and NER SPC would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. and NER SPC have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by NER Ltd. and NER SPC. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments (Note 2(l)).

iv. Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements ("Modco arrangements").

Assets and liabilities assumed under Modco arrangements are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Statements of Operations. Assumed premiums are included in premiums on the Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco arrangements and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

v. Reinsurance assets

In the normal course of business, BAC and American National are users of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC and American National remain liable to its policyholders for the portion reinsured.

Reinsurance assets are estimated amounts due to the company from reinsurers related to paid and unpaid ceded claims and claim adjustment expenses ("CAE") and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under our non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of IBNR using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and our estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

At each reporting date, the reinsurance assets, if any, are assessed for impairment. If there is objective evidence that the reinsurance assets are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

vi. Policyholders’ account balances

Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed per derivative accounting guidance.

vii. Policy and contract claims

Policy and contract claims are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported claims (“IBNR”) liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process.

viii. Other policyholder funds

Other policyholder funds consist of liabilities related to dividends payable on participating business. For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends, less net income allocated to stockholders, as well as a pro rata portion of unrealized investment gains (losses), net of tax.

ix. Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Statements of Operations.

x. Premium, benefits, claims incurred, and expenses

Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contract holders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid, and earned policy service fees. Amounts included in benefits are claims in excess of account balances returned to policyholders and interest credited to account balances.

Property and casualty premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection, which is generally evenly over the contract period. Claims incurred consist of claims and CAE paid and the change in reserves.

Gross premiums for PRT and reinsurance issued are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, future policy benefits are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the company and reinsurer. Premium refunds, if any, are recognized on an accrual basis. Gross benefits and benefits ceded are recorded in the Statements of Operations when they are due and incurred.

xi. Investment in associates, joint ventures and other limited partnership interests

Associates are entities over which the company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Other limited partnership interests are partnership arrangements in which the company has the ability to exercise significant influence over the investee's operations, but it does not have a controlling interest and is not the primary beneficiary.

The equity method is used to account for the company's investments in associates, joint ventures and other limited partnership interests within the Statements of Financial Position and the Statements of Operations.

Interests in associates, joint ventures and other limited partnership interests accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate or joint venture or other limited partnership interests is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate or joint venture or other limited partnership interests is greater than the company's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture or other limited partnership interests is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the company's interest in an associate or joint venture or other limited partnership interests is adjusted for the company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture or other limited partnership interests are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates or joint ventures or other limited partnership interests is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 7.

xii. Structured entities

The company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the company, and its reinsurance treaty accounts. The company controls these entities, and as a result, these entities are consolidated within the company's financial statements. The company assesses the variable returns determination for the structured entities on an ongoing basis.

Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the company's investment in the consolidated structured entities is determined in accordance with the company's accounting policies for the underlying securities held within the structured entities.

xiii. Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is allocated to the cash-generating unit or units to which it relates. The company identifies cash-generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated value-in-use and fair value less costs of disposal. Impairment losses recognized in respect of a cash-generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash-generating unit. Any goodwill impairment is charged to profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. In the year of a business acquisition, the recoverability of the acquired goodwill is assessed by revisiting the assumptions of the related underwriting model.

The company assesses the impairment of goodwill by reviewing the value-in-use or fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The company uses the following significant assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating unit, discount rates, terminal capitalization rates, terminal valuation dates, useful lives and residual values.

Future Accounting Policy Changes

Our Company will be converting from IFRS to US GAAP as our accounting framework for the period beginning January 1, 2023. The purpose of the conversion is to better align our financial statements and related disclosures with our peer set and use a framework that we think will be more familiar to potential ceding company clients. The conversion for the period beginning January 1, 2023 was determined given the new accounting standards for Insurance Contracts under US GAAP (ASU 2018-12 Long-Duration Targeted Improvement, or LDTI) has an effective implementation date of January 1, 2023. However, the company's financial statements for the year ended December 31, 2022 will be reported under IFRS and our financial statements will be reported under US GAAP beginning with the first quarter of 2023.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-IFRS measures, including Distributable Operating Earnings and Adjusted Equity. In addition, we provide certain metrics such as Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the "Segment Review" section of this MD&A for further discussion on our performance measures as at December 31, 2022, and for the years ended December 31, 2022, 2021 and 2020.

Non-IFRS Measures

We regularly monitor certain Non-IFRS measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-IFRS financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with IFRS. These Non-IFRS measures are not comparable to IFRS and may not be comparable to similarly described Non-IFRS measures reported by other companies, including those within our industry. Consequently, our Non-IFRS measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable IFRS measure in our consolidated financial statements for the years presented. The Non-IFRS financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with IFRS. During the year, Excess Capital and Net Reserve capital were no longer used as Non-IFRS measures as following the completion of the American National acquisition, the majority of equity within the business is deployed into insurance operating companies.

Distributable Operating Earnings

Distributable Operating Earnings is a key measure of our financial performance. We use Distributable Operating Earnings to assess operating results and the performance of our businesses. We define distributable operating earnings as net income excluding the impact of depreciation and amortization, deferred income taxes, income from equity accounted investments, mark-to-market on investments, reserves and derivatives, breakage and transaction costs, and is inclusive of our share of adjusted earnings from our investments in associates.

Distributable operating earnings is a measure of operating performance. We use distributable operating earnings to assess our operating results. Distributable Operating Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by IFRS as issued by the IASB. Distributable Operating Earnings is therefore unlikely to be comparable to similar measures presented by other issuers.

We believe our presentation of Distributable Operating Earnings is useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of Distributable Operating Earnings also provide investors enhanced comparability of our ongoing performance across years.

Adjusted Equity

Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. We use Adjusted Equity to assess our return on our equity.

For further details regarding our use of our Non-IFRS measures, as well as a reconciliation of net income and total equity to these measures, see the "Reconciliation of Non-IFRS Measures" section of this MD&A.

Reconciliation of Non-IFRS Measures

The following table reconciles our net income to Distributable Operating Earnings:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Net income	**$ 492**	$ (44)	$ 1
Deferred income tax expense	**47**	2	—
Junior preferred share dividends	**67**	—	—
Transaction costs	**31**	8	—
Equity accounted (income) loss	**(54)**	(8)	—
Depreciation	**13**	—	—
Mark-to-market on investments and reserves	**(208)**	72	—
Distributable Operating Earnings	**$ 388**	$ 30	$ 1

The following table reconciles our equity to Adjusted Equity:

AS AT DEC. 31 US$ MILLIONS	**2022**	2021	2020
Total equity	**$ 1,457**	$ 1,435	$ 83
Add:			
Accumulated Other Comprehensive Loss (Income)	**883**	16	(4)
Preferred shares	**2,512**	—	—
Adjusted equity	**$ 4,852**	$ 1,451	$ 79

Forward-Looking Information

In addition to historical information, this MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the company and Brookfield's outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the company, Brookfield's or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The following factors, among others, could cause our actual results to vary from our forward-looking statements:

We caution that the factors that may affect future results described in this MD&A are not exhaustive. The forward-looking statements represent our views as of the date of this MD&A and should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our most recent Annual Report on Form 20-F and other risks and factors that are described therein.

In addition to the “Risk Factors” included in our most recent Annual Report on Form 20-F and other risks and factors that are described therein, the company has identified new risk factors following the company’s acquisition of American National on May 25, 2022. You should carefully consider these risk factors in addition to the “Risk Factors” set forth in our most recent Annual Report on Form 20-F and other information in this MD&A.

Risks Relating to Our Operating Subsidiaries and Industry

Changes in interest rates and credit spreads, which are out of our control, can materially and adversely affect our financial condition and results of operations.

Interest rates have a significant impact on our business and on consumer demand for our products. Low interest rates reduce the spreads between the amounts we credit to fixed annuity and individual life policyholders in our U.S. Direct Insurance business and the amounts we earn on the investments that support these obligations, which in turn may impact the performance of our business. Although we seek to mitigate the impact of low interest rates through actions such as reducing the guaranteed minimum crediting rates on new fixed annuity contracts and reducing crediting rates on in-force contracts, where permitted to do so, there is no guarantee that such actions will completely offset the impact of a low interest rate, and our sales volume may be negatively impacted as a result. Our ability to decrease product crediting rates in response may be limited by market and competitive conditions and by regulatory or contractual minimum rate guarantees.

A gradual increase in longer-term interest rates relative to short-term rates generally will have a favorable effect on the profitability of products within our U.S. Direct Insurance business – particularly interest-sensitive life insurance and fixed annuities. However, rapidly rising interest rates could result in reduced persistency of our spread-based products if contract holders shift assets into higher yielding investments. Increasing rates on other insurance or investment products offered by competitors may also lead to higher surrenders by customers within certain segments of our U.S. Direct Insurance business. We may react to market conditions by increasing crediting rates, which narrows our “spread,” or the difference between the amounts we earn on investments and the amount we must pay under our contracts.

While we maintain a diversified investment portfolio comprised of assets with various maturities to support product liabilities and ensure liquidity and use asset liability management processes to mitigate the effect on our spreads of changes in interest rates, they may not be fully effective.

The interest rate environment affects estimated future profit projections, which could impact the amortization of our deferred policy acquisition costs ("DAC") assets and the estimates of policyholder liabilities within our U.S. domestic insurance business. Significantly lower future estimated profits may cause us to accelerate the amortization of DAC or require us to establish additional policyholder liabilities, thereby reducing earnings. We periodically review assumptions with respect to future earnings to ensure they remain appropriate considering the current interest rate environment.

Low interest rates are also challenging for property and casualty insurers. Investment income is an important element in earning an acceptable return on capital. Lower interest rates resulting in lower investment income require us to achieve better underwriting results. Within our U.S. Direct Insurance business, we have adjusted policy prices to help mitigate the adverse impact of low interest rates on our property and casualty business.

In a low interest rate environment, we may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, which will reduce our “net investment spread” or the difference between the amounts that we are required to pay under the contracts in our general account and the rate of return we earn on general account investments intended to support the obligations under such contracts. A decline in market interest rates or credit spreads could have an adverse effect on our investment income as we invest cash in new investments that may earn less than the portfolio’s average yield. Furthermore, a low-interest rate environment with reduced investment market returns could encourage alternative capital providers to enter the insurance market in order to achieve higher returns. This could have the effect of increasing the level of competition in the insurance market and applying pressure on premiums, which could affect the gross written premium that we are able to generate.

Fluctuations in credit spreads can also contribute to the industry's cyclicality and may materially and adversely affect our investment performance including investment income or cause realized and unrealized losses. We are subject to risks associated with potential declines in credit quality related to specific issuers or specific industries and a general weakening in the economy, which are typically reflected through credit spreads. Our exposure to credit spreads primarily relates to market price volatility and investment risk associated with the fluctuation in credit spreads. Credit spreads increase or decrease in response to the market's perception of risk and liquidity of a specific issuer or specific sector and are influenced by the credit ratings, and the reliability of those ratings, published by external rating agencies. Widening credit spreads may cause unrealized losses in our investment portfolio and increase losses associated with written credit protection derivatives used in replication transactions. Increases in credit spreads of issuers due to credit deterioration may result in higher levels of impairments. Tightening credit spreads may reduce our investment income and cause an increase in the reported value of certain liabilities that are valued using a discount rate that reflects our own credit spread.

One key factor that contributes to the cyclicality in insurers' underwriting results are interest rate movements. In a high-interest rate environment, increased investment returns may reduce insurers' required contribution from underwriting performance to achieve an attractive overall return. This may result in a less-disciplined approach to underwriting in the market generally as some underwriters could be inclined to offer lower premium rates to generate more business. An increase in market interest rates or credit spreads could also have an adverse effect on the value of our investment portfolio by decreasing the fair values of the fixed income securities in our investment portfolio. Further, an increase in market interest rates could reduce the value of certain of our alternative investments held as collateral under reinsurance agreements and require us to provide additional collateral, thereby reducing our available capital and potentially creating a need for additional capital which may not be available to us on favorable terms, or at all.

Interest rate fluctuations and other events may require us to accelerate the amortization of DAC.

When interest rates rise, life and annuity surrenders and withdrawals may increase as policyholders seek to buy products with higher or perceived higher returns, impacting estimates of future profits. When interest rates fall, we would have the opposite effect. Significantly lower future profits may cause us to accelerate DAC amortization, and such acceleration could adversely affect our results of operations to the extent such amortization exceeds any surrender or other charges earned as income upon surrender and withdrawal.

Our business operations depend on our ability to appropriately distribute, execute and administer our policies and claims.

The success of our U.S. Direct Insurance business is primarily dependent on writing and servicing life, annuity, property and casualty, and health insurance for individuals, families and businesses. Any problems or discrepancies that arise in our pricing, underwriting, billing, processing, claims handling or other practices, whether as a result of employee error, vendor error, or technological problems, could have a negative effect on operations and reputation, particularly if such problems or discrepancies are replicated through multiple policies.

Advances in medical technology may adversely affect certain segments of our business.

Genetic testing and diagnostic imaging technology is advancing rapidly. Increases in the prevalence, availability (particularly in the case of direct to consumer genetic testing) and accuracy of such testing may increase our adverse selection risk, as people who learn that they are predisposed to certain medical conditions associated with reduced life expectancy may be more likely to purchase and maintain life insurance. Conversely, people who learn that they lack genetic predisposition to conditions associated with reduced life expectancy may forego the purchase of life insurance, or permit existing policies to lapse, and may be more likely to purchase certain annuity products. Our access to and ability to use medical information, including the results of genetic and diagnostic testing, that is known to our prospective policyholders is important to our underwriting of life insurance and annuities. Some states restrict insurers' access and use of genetic information, and similar additional regulations and legislation may be adopted. Such regulation and legislation likely would exacerbate adverse risk selection related to genetic and diagnostic testing, which may in turn have an adverse effect on our U.S. Direct Insurance business.

In addition to earlier diagnosis and knowledge of disease risk, medical advances may increase overall health and longevity. If this were to occur, the duration of payments made under certain of our annuity products would be extended beyond our actuarial assumptions, reducing the profitability of such business. This may require us to modify our assumptions, models or reserves.

We may incur significant losses resulting from catastrophic events.

Property and casualty operations within our U.S. Direct Insurance business are exposed to catastrophes caused by natural events, such as hurricanes, tornadoes, wildfires, droughts, earthquakes, snow, hail and windstorms, and manmade events, such as terrorism, riots, explosions, hazardous material releases, and utility outages. Life and health insurance operations within our U.S. Direct Insurance business are exposed to the risk of catastrophic mortality or illness, such as a pandemic, an outbreak of an easily communicable disease, or another event that causes a large number of deaths or high morbidity. Our investment operations are exposed to catastrophes as a result of direct investments and mortgages related to real estate and certain similarly structured infrastructure loans. Our operating results may vary significantly from one period to the next since the likelihood, timing, severity, number or type of catastrophe events cannot be accurately predicted. Our losses in connection with catastrophic events are primarily a function of the severity of the event and the amount of our exposure in the affected area.

Climate change, and increasing regulation with respect to climate change, may adversely impact our results of operations.

There are concerns that the increased frequency and severity of weather-related catastrophes and other losses, such as hurricanes and wildfires, incurred by the industry in recent years are indicative of changing weather patterns, whether as a result of global climate change caused by human activities or otherwise, which could cause such events to persist. Increased weather-related catastrophes would lead to higher overall losses, which we may not be able to recoup, particularly in a highly regulated and competitive environment, and higher reinsurance costs. Increased weather-related catastrophes could also result in increased credit exposure to reinsurers and other counterparties with which we do business. Certain catastrophe models assume an increase in frequency and severity of certain weather or other events, which could result in a disproportionate impact on insurers with certain geographic concentrations of risk. This would likely increase the risks of writing property insurance in coastal areas or areas susceptible to wildfires or flooding, particularly in jurisdictions that restrict pricing and underwriting flexibility. The threat of rising seas or other catastrophe losses as a result of climate change may also cause property values in coastal or such other communities to decrease, reducing the total amount of insurance coverage that is required. Climate change-related risks also present challenges to our ability to effectively underwrite, model and price risk.

In addition, climate change could have an impact on assets in which we invest, resulting in realized and unrealized losses in future periods that could have a material adverse impact on our results of operations and/or financial position. Such investment risks can include, but are not limited to, changes in supply and demand characteristics for fossil fuels, advances in low-carbon technology and renewable energy development, effects of extreme weather events on the physical and operating exposure of industries and issuers, and the transition that issuers make towards addressing climate risk in their own businesses. It is not possible to foresee with certainty which, if any, assets, industries or markets will be materially and adversely affected, nor is it possible to foresee the magnitude of such effect.

Moreover, we cannot predict how legal, regulatory and social responses to concerns about climate change will impact our business or the value of our investments. We are subject to complex and changing regulation and public policy debates relating to climate change that are difficult to predict and quantify and that may have an adverse impact on our business. For example, in November of 2021, NYDFS finalized its "Guidance for Domestic Insurers on Managing the Financial Risks from Climate Change." In general, the guidance provides that a New York-domiciled insurer should integrate consideration of climate risks into its governance structure at the insurer or group level, consider the impact of climate-related factors on its business decisions using time horizons that are tailored to the insurer and its activities, incorporate climate risks into its existing financial risk management framework, use scenario analysis to inform business strategies and risk identification and assessment, and disclose its climate risks and engage with the Task Force on Climate-related Financial Disclosures and other initiatives when developing disclosure approaches. In addition, the NAIC and federal agencies, including the SEC and Federal Insurance Office, are increasingly focused on assessment and disclosure of climate change risks. In March 2022, the SEC proposed new rules that, among other matters, will seek to standardize and establish a framework for reporting of climate-related risks. To the extent the proposed rules impose additional reporting obligations, we could face increased costs. Separately, the SEC has also announced that it is scrutinizing existing climate-change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege our existing climate disclosures are misleading or deficient. In April 2022, the NAIC Climate Risk & Resiliency Task Force released a new climate risk disclosure survey, and the NAIC Plenary adopted the redesigned climate risk disclosure survey as a voluntary risk management tool available for state insurance regulators to use to assess an insurer's climate-related risks. The domestic insurance companies within our holding company system that are required to respond to the climate risk disclosure survey must comply with the new reporting standard by November 30, 2022. The NAIC also continues to contemplate enhancements to the Financial Condition Examiners Handbook and the ORSA Guidance Manual to address climate change risks and their impact on solvency. Governmental guidance or regulations relating to climate change, or our own leadership decisions implemented as a result of assessing the impact of climate change on our business, may increase our costs of doing business.

The reinsurance and insurance industries are highly competitive; competitive pressures may result in fewer reinsurance contracts underwritten, lower premium rates, increased expense for customer acquisition and retention and less favorable policy terms and conditions.

We operate in highly competitive markets. Customers may evaluate us and our competitors on a number of factors, including capital and perceived financial strength, underwriting capacity, expertise, innovation, local presence, reputation, experience and qualifications of employees, client relationships, geographic scope of business, products and services offered (including ease of doing business over the electronic placement platforms), premiums charged, ratings assigned by independent rating agencies, contract terms and conditions and the speed of claims payment.

Within our U.S. Direct Insurance business, strong competition for customers has led to increased marketing and advertising by our competitors, many of whom have well-established national reputations and greater financial and marketing resources, as well as the introduction of new insurance products and aggressive pricing. These competitive pressures could result in increased pricing pressures on a number of our products and services, particularly as competitors seek to win market share, and may limit our ability to maintain or increase our profitability. Because of its relatively low cost of entry, the Internet has emerged as a significant place of new competition, both from existing competitors and new competitors. In addition, product development and life-cycles have shortened in many product segments, leading to intense competition with respect to product features.

We compete for customers' funds with a variety of investment products offered by financial services companies other than insurance companies, such as banks, investment advisors, mutual fund companies and other financial institutions. Moreover, customer expectations are evolving as technology advances and consumers become accustomed to enjoying tailored, easy to-use-services and products from various industries. This is reshaping and raising consumer expectations when dealing with insurance. We are addressing these changing consumer expectations by investing in technology with a particular focus on consumer-facing sales and service platforms, by internally promoting a strategically-focused innovative culture initiative, and by creating internal forums to drive next generation solutions based on consumer insights. However, if we cannot effectively respond to increased competition and such increased consumer expectations, we may not be able to grow our business or we may lose market share.

We compete with other insurers for producers primarily on the basis of our financial position, reputation, longevity, support services, compensation, product features and pricing. We may be unable to compete for producers with insurers that adopt more aggressive pricing or compensation, that offer a broader array of products or packages of products, or that have extensive promotional and advertising campaigns. Attracting qualified individuals and retaining existing employees continues to be a challenge for employers. Businesses have become extremely competitive in the ever-changing landscape of the talent marketplace. As a result, it is an increasing challenge to distinguish us as an employer of choice.

Within our PRT and annuities business, we directly compete with a number of well-established players and new entrants in the industries, including reinsurance and insurance companies, financial institutions, and traditional and alternative asset managers. Our competitors vary by offered product line and covered territory. Our competition primarily includes other reinsurance and insurance companies, larger-scale pension plans and asset management firms that provide long duration capital. There are currently six large-scale national institutions who we consider competitors of our PRT business in Canada, and there is the potential for the entry of global insurers into the Canadian market. These competitors primarily include annuity reinsurance and insurance companies and diversified financial institutions. Some of these competitors have greater financial resources, have established long term and continuing business relationships throughout the industry, have greater market share, assume a greater level of risk while maintaining financial strength ratings, or have higher financial strength, claims-paying or credit ratings than we do, each of which can be a significant competitive advantage. In addition, the lack of strong barriers to entry into the Reinsurance business and the entry of alternative capital markets products and vehicles provide additional sources of reinsurance and insurance capacity and increased competition.

We compete with new companies that enter the reinsurance and insurance markets, particularly companies with new or "disruptive" technologies or business models. Certain technology companies and other third parties have created, and may in the future create, technology-enabled business models, processes or platforms that may adversely impact our competitive position. New services and technologies can affect the demand for insurance and reinsurance products and services, the premiums payable, the profitability of such products and services and the risks associated with underwriting certain lines of business. In addition, certain capital markets participants have created alternative products that are intended to compete with reinsurance products. Recently, the insurance industry has faced increased competition from new underwriting capacity, such as the investment of significant amounts of capital by pension funds, mutual funds, hedge funds and other sources of alternative capital primarily into the natural catastrophe reinsurance and insurance businesses. The failure of our company to assess new services and technologies that may be applicable or disruptive to the reinsurance and insurance industries may have an adverse effect on our business, financial condition and results of operations.

The nature of the competition we face may be affected by disruption and deterioration in global financial markets and economic downturns, including as a result of the effects of COVID-19, as well as by governmental responses thereto. For example, (i) government intervention might result in capital or other support for our competitors, (ii) governments may provide reinsurance and insurance capacity in markets and to consumers that we target or (iii) governments may take actions to reduce interest rates, impacting the value of and returns on fixed income investments. In addition, since numerous aspects of our business are subject to regulation, legislative and other changes affecting the regulatory environment for our business may have, over time, the effect of supporting or burdening some aspects of the financial services industry. This can affect our competitive position within the annuities industry, and within the broader financial services industry.

Because of the highly competitive nature of the insurance industry, there can be no assurance that we will maintain or grow our market share, continue to identify attractive opportunities in either our individual or institutional channels, or that competitive pressure will not have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to Regulation

Our insurance business is highly regulated, and such regulation and any supervisory and enforcement policies, or changes thereto, may materially impact our capitalization or cash flows, reduce our profitability and limit our growth.

We are subject to extensive insurance laws and regulations that affect nearly every aspect of our business. We are also subject to additional laws and regulations administered and enforced by a number of different governmental authorities in the jurisdictions in which we operate.

The laws and regulations applicable to us are complex and subject to change, and compliance is time consuming and personnel-intensive. Changes in these laws and regulations, or interpretations by courts or regulators, may materially increase our costs of doing business and may result in changes to our practices that may limit our ability to grow and improve our profitability. Regulatory developments or actions against us could have material adverse financial effects and could harm our reputation. Among other things, we could be fined, prohibited from engaging in some or all of our business activities, or made subject to limitations or conditions on our business activities.

We face the risk that any particular regulator's or enforcement authority's interpretation of a legal issue may conflict with that of another regulator or enforcement authority or may change over time to our detriment. Regulatory investigations and examinations, which can be broad and unpredictable, may raise issues not identified previously and could result in new legal actions against us and industry-wide regulations that could adversely affect us. Further, we are experiencing increasing information requests from regulators without corresponding direct regulation being applicable to us, on issues such as climate change, diversity and our investments in certain companies or industries. Responding to such requests adds to our compliance costs.

Insurance company supervision and regulation is generally intended for the benefit of policyholders and creditors rather than shareholders or other investors of the business. Among other things, the insurance laws and regulations applicable to us may:

- impose rules and restrictions on the marketing, distribution, administration and amendment of our annuity products and insurance policies;
- require the maintenance of certain solvency levels, including minimum levels of capital and surplus;
- require the maintenance of target capital levels, general and long-term business minimum solvency margins, enhanced capital requirements and a minimum liquidity ratio;
- require periodic examinations of our financial condition;
- require offices and representatives in the relevant jurisdiction;
- restrict agreements with large revenue-producing agents;
- require us to obtain licenses or authorizations from regulators;
- regulate transactions, including investments in or transactions with affiliates or related parties (which may include Brookfield) and intra-group guarantees;
- in certain jurisdictions, restrict the payment of dividends or other distributions of capital;
- require the disclosure of financial and other information to regulators, including financial statements, financial conditions reports, and annual capital and solvency returns;
- impose restrictions on the nature, quality and concentration of investments;
- regulate the admissibility of assets and capital;
- provide for involvement in the payment or adjudication of claims beyond the terms of the policies;
- establish certain minimum operational requirements or customer service standards such as the timeliness of finalized policy language or lead time for notice of non-renewal or changes in terms and conditions; and
- allow for the performance of certain periodic examinations of its financial condition.

The impact of these regulations, including, in particular the restrictions on investments in affiliates or related parties, may have an adverse effect on our investment portfolio returns. As part of regular, mandated risk assessments, regulators may take steps that have the effect of restricting our business activities, which may in turn have a material impact on our ability to achieve growth objectives and earnings targets. All of our insurance subsidiaries are subject to minimum capital and surplus requirements. Any failure to meet applicable requirements or minimum statutory capital requirements could subject us to examination or corrective action by regulators, including limitations on our writing additional business or engaging in finance activities, supervision, receivership, or liquidation. In addition, each regulated insurance business we operate is subject to a number of restrictions on assets we may hold under relevant regulations and tax rules, and regulators may, as has happened in the past, alter such restrictions, thus potentially affecting our investment policy and any associated projected income or growth return from our investments. In addition, based on our perceived risk profile, regulators may require additional regulatory capital to be held by us (including as part of guidance provided by the regulator to us on a confidential basis), which, among other things, may affect the business we can write and the amount of dividends we are able to pay out.

As a result, in connection with the conduct of our various businesses, we believe it is crucial to establish and maintain good working relationships with the various regulatory authorities having jurisdiction over our businesses. If those relationships and that reputation were to deteriorate, our businesses could be materially and adversely affected. For example, we require various consents and approvals from our regulators, both with respect to transactions we enter into and in the ordinary course of the conduct of our businesses. If we fail to maintain good working relationships with our regulators, it may become more difficult or impossible for us to obtain those consents and approvals, either on a timely basis or at all.

The reinsurance and insurance industries have experienced substantial volatility as a result of investigations, litigation and regulatory activity by various insurance, governmental and enforcement authorities, concerning various practices within the reinsurance and insurance industry. If we or any of our subsidiaries were to be found to be in breach of any existing or new laws or regulations now or in the future, we would be exposed to the risk of intervention by regulatory authorities, including investigation and surveillance, and judicial or administrative proceedings. In addition, our reputation could suffer and we could be fined, sanctioned or suspended or prohibited from engaging in some or all of our business activities or could be sued by counterparties, as well as forced to devote significant resources to cooperate with regulatory investigations, any of which could have a material adverse effect on our results of operations. These events, if they occur, could affect the competitive market and the way we conduct our business and manage our capital and could result in lower revenues and higher costs.

Lastly, international standards continue to emerge in response to the globalization of the insurance industry and evolving standards of regulation, privacy, solvency measurement and risk management. Any international conventions or mandates that directly or indirectly impact or influence the nature of regulation or industry operations in the jurisdictions in which we operate could negatively affect us.

Brookfield Reinsurance Ltd.

bnre.brookfield.com

NYSE: BNRE
TSX: BNRE

EXHIBIT 11(b)

Audited Financial Statements of Brookfield Reinsurance for the Years-Ended December 31, 2021, 2020 and 2019

Exhibit 9(b)

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Brookfield Asset Management Reinsurance Partners Ltd.

Opinion on the Financial Statements

We have audited the accompanying combined consolidated statements of financial position of Brookfield Asset Management Reinsurance Partners Ltd. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related combined consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes, and the schedule of the Condensed Financial Statements of Brookfield Asset Management Reinsurance Partners Ltd. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Insurance Reserves - Refer to Notes 2(r) and 10 to the financial statements

Critical Audit Matter Description

The Company has significant insurance reserves representing the majority of its total liabilities. The Company uses different actuarial methodologies to determine insurance reserves depending on the nature of the underlying contract products and applicable jurisdictional guidance, as is permitted by IFRS 4, Insurance Contracts, some of which involve high levels of complexity.

While there are many assumptions which management makes to determine insurance reserves, the assumptions with the greatest uncertainty are those related to mortality and surrender, lapse and withdrawal rates (collectively "policyholder behaviour"). These assumptions required subjective and complex auditor judgment in certain circumstances, including where (i) there is limited company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) the policyholder behaviour may be irrational. Auditing of certain valuation methodologies and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation methodologies and assumptions related to mortality and policyholder behaviour included the following, among others:

- With the assistance of actuarial specialists, we tested the reasonableness of mortality and policyholder behaviour assumptions, by:
    - Evaluating management's methods and assumptions in accordance with applicable actuarial principles and practices under actuarial standards of practice.
    - Testing inputs used in the determination of the mortality and policyholder behaviour assumptions.
    - Analyzing management's methods and interpretation of data used to adjust industry tables, applying industry guidance, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of data, where applicable.
    - With the assistance of actuarial specialists, we tested the appropriateness of valuation methodologies used in the estimation process by:
    - Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology.
    - Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected and key assumptions were incorporated in those actuarial models for the reinsurance deals undertaken.
    - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies included in the reinsurance deals undertaken and comparing the results to the Company's results.

Accounting for Structured Entities - Refer to Note 2(ai) to the financial statements

Critical Audit Matter Description

The Company invests a portion of its assets in structured entities ("entities"). These entities issued debt and preferred share securities to the Company's reinsurance treaty accounts, including modified coinsurance accounts held by third party insurance companies. The Company is not involved in the investment decision process and has a residual economic interest in the entities. The Company determined that it has control over the entities, and as such has consolidated the entities.

The determination of the accounting treatment for the entities required management to evaluate whether the Company exercised control or significant influence over the entities. This involved significant management judgment to interpret the key agreements and related party relationships associated with the entities. Auditing whether the Company exercised control or significant influence over the entities required a high degree of subjectivity which resulted in an increased extent of audit effort including the need to involve technical accounting specialists.

How the Critical Audit Matter Was Addressed in the Audit

With the assistance of technical accounting specialists, our audit procedures related to the evaluation of whether the Company exercised control or significant influence over the entities included the following, among others:

- Assessed the executed agreements with counterparties to understand the nature of the instruments that were issued by the entities to determine which party was exposed, or had rights, to variable returns from their investment in the financial instruments issued by the entities.
- Evaluated related party relationships to understand whether the Company, through such relationships, had power over the entities and the ability to use such power to affect the amount of returns to the Company.
- Evaluated management's assessment of whether the Company exercised control or significant influence over the entities by analyzing specific facts and circumstances against relevant accounting guidance.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 22, 2022

We have served as the Company's auditor since 2016.

COMBINED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DEC. 31 US$ MILLIONS	Note		2021		2020
Assets					
Cash and cash equivalents	3	**$**	**393**	$	35
Investments	3		**4,943**		1,193
Accounts receivable and other	4		**47**		13
Reinsurance funds withheld	3		**4,650**		—
Derivative assets	3		**146**		7
Deferred tax asset	15		**20**		—
Property and equipment	5		**2**		2
Intangible assets	6		**3**		—
Equity accounted investments	8		**344**		—
Deferred acquisition costs	7		**776**		—
Reinsurance assets	10		**169**		190
Total assets		**$**	**11,493**	$	1,440
Liabilities					
Insurance reserves	10	**$**	**8,497**	$	1,339
Accounts payable and other	9		**65**		6
Due to related parties	17		**467**		—
Reinsurance payable			**75**		—
Corporate borrowings	13		**693**		—
Deferred revenue			**82**		—
Liabilities of structured entities			**167**		—
Funds withheld liabilities	3		**12**		12
Total liabilities			**10,058**		1,357
Equity					
Brookfield Asset Management Inc.[1]			**—**		83
Class A exchangeable and Class B[2]			**539**		—
Class C[2]			**896**		—
Total equity			**1,435**		83
Total liabilities and equity		**$**	**11,493**	$	1,440

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	**2021**	2020	2019
Premiums				
Gross		**$ 7,207**	$ 431	$ 504
Ceded		**(1)**	(1)	(179)
Net premiums		**7,206**	430	325
Net investment income	3	**60**	84	57
Net investment results from funds withheld	3	**78**	—	—
Total revenues		**7,344**	514	382
Income from equity accounted investments	8	**8**	—	—
Benefits paid on insurance contracts				
Gross		**310**	63	39
Ceded		**(18)**	(25)	(14)
Change in insurance reserves	10			
Gross		**6,958**	457	538
Ceded		**22**	11	(193)
Other reinsurance expenses		**19**	—	—
Operating expenses	14	**35**	6	6
Net hedging expenses		**59**	—	—
Interest expense		**9**	—	—
Total benefits and expenses		**7,394**	512	376
Net (loss) income before income taxes		**(42)**	2	6
Current tax expense	15	**—**	(1)	—
Deferred tax expense	15	**(2)**	—	—
Net (loss) income for the year		**$ (44)**	$ 1	$ 6
Attributable to:				
Brookfield Asset Management Inc.[1]		**5**	1	6
Class A exchangeable and Class B shareholders[2]		**3**	—	—
Class C shareholders[2]		**(52)**	—	—
		$ (44)	$ 1	$ 6
Net income per class C share				
Basic and diluted[3]	16	**$ (2.58)**		

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).
3. Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 are attributed to our predecessor company Brookfield Annuity Holdings Inc. See Note 2(ag).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income	**$ (44)**	$ 1	$ 6
Other comprehensive income (loss) that will be reclassified to net income (loss)			
Equity accounted other comprehensive income	**44**	—	—
Net unrealized (loss) gain on available for sale securities	**(55)**	1	—
Foreign currency translation	**(4)**	2	3
Total other comprehensive (loss) income	**(15)**	3	3
Comprehensive (loss) income	**$ (59)**	$ 4	$ 9
Attributable to:			
Brookfield Asset Management Inc.[1]	**6**	4	9
Class A exchangeable and Class B shareholders[2]	**3**	—	—
Class C shareholders[2]	**(68)**	—	—
	$ (59)	$ 4	$ 9

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Note	Brookfield Asset Management Inc. Share Capital	Brookfield Asset Management Inc. Accumulated Surplus (Deficit)	Brookfield Asset Management Inc. Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Class A exchangeable and Class B shareholders Share Capital	Class A exchangeable and Class B shareholders Accumulated Surplus (Deficit)	Class A exchangeable and Class B shareholders Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Class C shareholders Share Capital	Class C shareholders Accumulated Surplus (Deficit)	Class C shareholders Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2021		**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**
Changes in year:														
Net income (loss)		—	5	—	**5**	—	3	—	**3**	—	(52)	—	**(52)**	**(44)**
Other comprehensive income (loss)		—	—	1	**1**	—	—	—	**—**	—	—	(16)	**(16)**	**(15)**
Comprehensive income (loss)		—	5	1	**6**	—	3	—	**3**	—	(52)	(16)	**(68)**	**(59)**
Other items														
Equity issuances / Reorganization[1]	11	(78)	—	—	**(78)**	539	—	—	**539**	963	—	—	**963**	**1,424**
Return of capital[2]	11	—	—	—	**—**	(3)	—	—	**(3)**	—	—	—	**—**	**(3)**
Common control transaction adjustments[3]		—	(6)	(5)	**(11)**	—	—	—	—	—	1	—	**1**	**(10)**
Total change in year		(78)	(1)	(4)	**(83)**	536	3	—	**539**	963	(51)	(16)	**896**	**1,352**
Balance as at December 31, 2021		**$ —**	**$ —**	**$ —**	**$ —**	**$ 536**	**$ 3**	**$ —**	**$ 539**	**$ 963**	**$ (51)**	**$ (16)**	**$ 896**	**$1,435**

1. See Note 1(b) for details regarding the Spin-off and reorganization.
2. The Company distributed $0.13 in the form of a return of capital per each Class A exchangeable and Class B share in the third and fourth quarters of 2021.
3. See Note 2(c) for details regarding the common control transaction.

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				
	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2020	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**
Changes in year:													
Net income	—	1	—	**1**	—	—	—	**—**	—	—	—	**—**	**1**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**3**
Comprehensive income	—	1	3	**4**	—	—	—	**—**	—	—	—	**—**	**4**
Other items													
Equity issuances	13	—	—	**13**	—	—	—	**—**	—	—	—	**—**	**13**
Total change in year	13	1	3	**17**	—	—	—	**—**	—	—	—	**—**	**17**
Balance as at December 31, 2020	**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2019 US$ MILLIONS	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				
	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2019	$ 60	$ (6)	$ (2)	**$ 52**	$ —	$ —	$ —	**$ —**	$ —	$ —	$ —	**$ —**	**$ 52**
Changes in year:													
Net income	—	6	—	**6**	—	—	—	**—**	—	—	—	**—**	**6**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**3**
Comprehensive income	—	6	3	**9**	—	—	—	**—**	—	—	—	**—**	**9**
Other items													
Equity issuances	5	—	—	**5**	—	—	—	**—**	—	—	—	**—**	**5**
Total change in year	5	6	3	**14**	—	—	—	**—**	—	—	—	**—**	**14**
Balance as at December 31, 2019	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Operating activities			
Net (loss) income	**$ (44)**	$ 1	$ 6
Non-cash items affecting net income			
Premium received in kind	**(167)**	—	—
Unrealized gains on investments and derivatives	**33**	(51)	(27)
Net hedging expenses	**(27)**	—	—
Income tax expense	**2**	1	—
Income from equity accounted investments	**(8)**	—	—
Realized gain on investments	**(23)**	—	—
Changes in non-cash balances related to operations			
Changes in reinsurance receivable	**(9)**	—	—
Changes in reinsurance funds withheld	**(4,650)**	—	—
Changes in deferred tax asset	**(24)**	—	—
Changes in reinsurance assets	**22**	10	(193)
Changes in reinsurance payable	**75**	—	—
Changes in insurance reserves	**7,152**	457	538
Changes in deferred revenue	**82**	—	—
Changes in funds withheld liabilities	**—**	12	—
Changes in deferred acquisition costs	**(776)**	—	—
Changes in working capital	**52**	(1)	(6)
Operating activities affecting cash			
Realized gains on investments and derivatives	**(4)**	(3)	(9)
Interest income received	**(51)**	(27)	—
Purchase of derivatives	**(133)**	—	—
Proceeds from disposal of derivatives	**79**	—	—
Cash flows from operating activities	**1,581**	399	309
Investing activities			
Dividends received	**2**	—	—
Interest income received	**51**	27	—
Purchase of investments			
Bonds	**(4,251)**	(971)	(1,010)
Private debt	**(181)**	—	—
Common equity	**(644)**	—	—
Private equity and other	**(219)**	—	(1)
Mortgages	**(185)**	—	(1)
Private loans	**(512)**	(4)	(11)
Sales and maturities of investments			
Bonds	**2,001**	561	754
Common equity	**20**	—	—
Private equity and other	**1**	1	1
Mortgages	**18**	—	—
Private loans	**36**	2	—
Purchase of intangibles	**(1)**	(1)	—
Cash flows from investing activities	**(3,864)**	(385)	(268)

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Financing activities			
Issuance of equity	**1,410**	13	5
Return of capital	**(8)**	—	—
Borrowings from related parties	**960**	—	—
Repayments of borrowings to related parties	**(582)**	—	—
Borrowings from external parties	**693**	—	—
Borrowings of structured entities	**167**	—	—
Proceeds from repurchase agreement	**464**	222	245
Repayments of repurchase agreement	**(464)**	(222)	(285)
Cash flows from financing activities	**2,640**	13	(35)
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**35**	13	8
Net change during the year	**357**	27	6
Foreign exchange on cash balances held in foreign currencies	**1**	(5)	(1)
Cash and cash equivalents, end of year	**$ 393**	$ 35	$ 13

The accompanying notes are an integral part of the combined consolidated financial statements.

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

(a) Brookfield Asset Management Reinsurance Partners Ltd.

Brookfield Asset Management Reinsurance Partners Ltd. ("BAM Re" or the "Company") is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company was established to become a reinsurance business focused on providing capital-based solutions to insurance companies and their stakeholders. The Company's class A exchangeable shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol "BAMR". The Company's operations are located primarily in Bermuda, Canada, and the Cayman Islands. The Company's original registered head office was 73 Front Street 5th Floor, Hamilton HM 12, Bermuda. During the third quarter, the registered head office was changed to Wellesley House South, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the Company's interest in its operating subsidiaries North End Re Ltd. ("NER Ltd.") and North End Re (Cayman) SPC ("NER SPC") and Brookfield Annuity Company ("BAC").

Through its operating subsidiaries, the Company acts as a direct issuer of pension risk transfer products for pension plan sponsors and provides annuity-based reinsurance products to insurance and reinsurance companies. The Company currently has two operating segments, Reinsurance and Pension Risk Transfer ("PRT").

(b) Spin-off of Brookfield Asset Management Reinsurance Partners Ltd.

On June 28, 2021, Brookfield Asset Management Inc. ("Brookfield Asset Management") completed the spin-off of the Company (the "Spin-off"), which was affected by way of a special dividend of the class A exchangeable limited voting shares ("class A exchangeable shares") of the Company to holders of Brookfield Class A limited voting shares ("Brookfield Class A Shares") and Class B limited voting shares ("Brookfield Class B Shares") as of June 18, 2021 (the "record date"). Pursuant to the special dividend, as of the record date, holders of Brookfield Class A Shares and Class B Shares received one class A exchangeable share for every 145 Brookfield Class A Shares or Class B Shares held. Brookfield Asset Management holds all the class C non-voting shares ("class C shares"), giving it the residual economic interest in the Company, but no voting interest in it.

Prior to the Spin-off, Brookfield Asset Management effected a reorganization so that the Company's PRT business (the "Business") and other investments that were historically owned and operated by Brookfield Asset Management, through its operating entities, were acquired by BAM Re Holdings, a subsidiary of the Company.

The following describes the transactions and agreements resulting from the Spin-off:

(i) Class A exchangeable shares

As part of the Spin-off, Brookfield Asset Management subscribed for 11 million class A exchangeable shares for approximately $538 million in cash. Upon Spin-off, Brookfield Asset Management distributed the 11 million class A exchangeable shares as a special dividend to the Brookfield Asset Management shareholders who hold Brookfield Class A Shares and Brookfield Class B Shares.

(ii) Class B shares

As part of the Spin-off, holders of class B shares ("BAM Re Class B Partners"), through a voting trust, subscribed for 24,000 class B shares for $1 million.

(iii) Class C shares

As part of the Spin-off, Brookfield Asset Management transferred its ownership in the Business along with its holdings of American Equity Investment Life Holding Company ("AEL Holdings") common shares and additional cash for working capital purposes to the Company. The total value of the consideration provided to the Company was approximately $712 million, which was exchanged for 17 million class C shares. In October 2021, the Company issued an additional 7 million class C shares to Brookfield Asset Management for consideration of $250 million. As at December 31, 2021, there were 24 million class C shares outstanding. Brookfield Asset Management owns all the issued and outstanding class C shares.

(iv) Equity Commitment

As part of the Spin-off, Brookfield Asset Management provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of a number of class C shares or junior preferred shares. Further details of the equity commitment are described in Note 17.

(v) Credit Agreement

As part of the Spin-off, the Company entered into a credit agreement with Brookfield Asset Management (the "Brookfield Credit Agreement") as lender on June 28, 2021, providing for a three-year revolving $200 million credit facility. On March 9, 2022, the revolving credit facility agreement was increased to $400 million. Further details of the Brookfield Credit Agreement are described in Note 17.

(vi) Support Agreement

As part of the Spin-off, the Company entered into a support agreement with Brookfield Asset Management (the "Support Agreement"). Brookfield Asset Management has agreed to support the economic equivalence of the class A exchangeable shares and Brookfield Class A Shares for so long as class A exchangeable shares not owned by Brookfield Asset Management are outstanding, and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable the Company to pay quarterly distributions, the liquidation amount, or the amount payable on a redemption of class A exchangeable shares, as the case may be. Further details of the Support Agreement are described in Note 17.

(vii) Rights Agreement

As part of the Spin-off, the Company entered into a rights agreement with Brookfield Asset Management (the "Rights Agreement"), pursuant to which Brookfield Asset Management has agreed that on the applicable specified exchange date with respect to any class A exchangeable shares submitted for exchange, Brookfield Asset Management will satisfy, or cause to be satisfied, the obligations pursuant to our memorandum of association and by-laws to exchange such subject class A exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. Further details of the Rights Agreement are described in Note 17.

(viii) Administration Agreement

As part of the Spin-off, the Company entered into an administration agreement with Brookfield Asset Management (the "Administration Agreement"), pursuant to which Brookfield Asset Management has agreed to provide administrative services to the Company, including the services of our Chief Executive Officer and Chief Investment Officer and certain other administrative services, on a cost-recovery basis. Further details of the Administration Agreement are described in Note 17.

(ix) Investment Management Agreement

As part of the Spin-off, the Company entered into one or more Investment Management Agreements appointing Brookfield Asset Management as the investment manager of certain assets and accounts, including assets backing the liabilities assumed by the Company under the insurance and future reinsurance arrangements, and any assets held as surplus. Further details of the Brookfield Investment Management Agreements are described in Note 17.

(x) Licensing Agreement

As part of the Spin-off, the Company entered into a licensing agreement with Brookfield Asset Management (the “Brookfield Licensing Agreement”), pursuant to which Brookfield Asset Management has granted a non-exclusive, royalty-free sub-license to use the name “Brookfield” and the Brookfield logo. Further details of the Brookfield Licensing Agreement are described in Note 17.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Combined Consolidated Financial Statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated.

The financial statements were authorized for issue by the Board of Directors of the Company on March 22, 2022.

(b) Basis of Consolidation

The financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

(c) Continuity of Interest

As described above, BAM Re was established on December 10, 2020 by Brookfield and on June 28, 2021 Brookfield Asset Management completed the Spin-off of the Business to the Company and the special dividend declaration to holders of Brookfield's Class A and B Shares. Brookfield Asset Management controlled the Business prior to the Spin-off and has significant influence over the Company subsequent to the Spin-off through its interests in the Company. The Business was transferred before Spin-off, as part of the reorganization, and therefore the transactions are common control transactions. In accordance with the Company and Brookfield Asset Management's accounting policy, the Company has reflected the Business in its financial position and results of operations using Brookfield Asset Management's carrying values, prior to the Spin-off.

In addition, certain investments were transferred as part of the reorganization. These are treated as asset acquisitions and are also considered common control transactions. The accounting policy is to record the common control asset acquisitions on the date of occurrence at the historical carrying value, with any gain or loss against the consideration paid being recorded in equity. To reflect this continuity of interest, these financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off (see Note 1(b)) have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the Company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the Company, including the adjustments associated with the Spin-off and the execution of several agreements (see Note 17). Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

(d) Class A exchangeable shares

As described in Note 1 (b)(i), the Company's equity interests include the class A exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield Asset Management at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield Asset Management), plus unpaid distributions. Brookfield Asset Management currently intends to satisfy any exchange requests on the class A exchangeable shares through the delivery of Brookfield Class A Shares rather than cash. Each class A exchangeable share, held on the record date, has voting rights and is entitled to cast one vote at a meeting of shareholders of the Company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(e) Class B shares

As described in Note 1 (b)(ii), the Company's equity interests include the class B shares held by BAM Re Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The BAM Re Class B Partners are entitled to one vote on any matter and can cast one vote for each class B share held at the record date.

The class B shares are classified as equity instruments. The class B shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(f) Class C shares

As described in Note 1 (b)(iii), the Company's equity interests include the class C shares held by Brookfield Asset Management. The class C shares are non-voting shares that are entitled to the residual economic interest in the Company after payment in full of the amount due to holders of our class A exchangeable shares and our class B shares and subject to the prior rights of holders of the Preferred Shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(g) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of 90 days or less. The Company classifies cash and cash equivalents at amortized cost.

Cash and cash equivalents exclude cash balances and short-term investments that are for use by the Company as part of the reinsurance funds withheld arrangement (Note 2(i)).

(h) Investments

Investments are financial assets which are comprised of common shares, preferred shares, bonds and fixed-income instruments. The Company uses the trade date to account for investment transactions.

Financial assets are classified into one of the following categories:

- AFS assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- FVTPL assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. Financial assets supporting capital and surplus and coinsurance reserves are classified as AFS or as loans and receivables. Unrealized gains (losses) are recognized in other comprehensive income (loss). Upon realization, gains or losses are reclassified to the Combined Consolidated Statements of Operations and recorded in net investment income (loss).

Financial assets supporting insurance reserves under PRT and modified coinsurance reserves under reinsurance are designated as FVTPL or as loans and receivables. Any changes in the fair value of the underlying assets matched to the insurance reserves are directly reflected in the insurance reserves. Unless the asset is deemed to be impaired, changes in fair value of assets matching these liabilities and changes in the corresponding insurance reserves are directly recognized in the Combined Consolidated Statements of Operations in order to avoid a mismatch that would otherwise arise.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income (loss) and presented in realized gains (losses) on investments which is included in net investment income.

(i) Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which NER Ltd. and NER SPC, indirect wholly owned subsidiaries of the Company, act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by NER Ltd. and NER SPC. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, NER Ltd. and NER SPC would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. and NER SPC have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by NER Ltd. and NER SPC. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments (Note 2(k)).

(j) Funds withheld liabilities

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where BAC acts as a cedant. While the assets in the funds withheld liabilities are legally owned by BAC, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. BAC's funds withheld liabilities balance includes cash and cash equivalents, fixed income securities and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

(k) Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, cross currency swaps, interest rate swaps, and bond futures. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in fair value of derivatives are recorded in net investment income (loss), in the Combined Consolidated Statements of Operations.

Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the Combined Consolidated Statements of Financial Position. Changes in the fair value are included in the net investment results from funds withheld in the Combined Consolidated Statements of Operations.

(l) Assets pledged as collateral

The Company receives and pledges collateral in respect to certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Combined Consolidated Statements of Financial Position as the Company retains all rights related to these assets.

Collateral received is not recognized in the Combined Consolidated Statements of Financial Position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

(m) Collateralized borrowing transactions

Securities sold under repurchase agreements are collateralized borrowing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at amortized cost and are recorded at amounts at which the securities were initially sold.

The Company recognizes an asset in the Combined Consolidated Statements of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Combined Consolidated Statements of Financial Position.

(n) Right to offset

Amounts presented in these financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(o) Impairment

At each reporting date, financial assets are assessed for impairment indicators. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. For AFS equity investments, a significant and prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer's financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Combined Consolidated Statements of Operations.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Combined Consolidated Statements of Operations.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. In addition, irrespective of whether there is any indication of impairment, intangible assets not yet available for use are tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Classification of Financial Instruments

Accrued investment income, reinsurance receivable, due from related party, private loans, mortgages, and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, accounts payable and accrued liabilities, and other liabilities have been classified as other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. For these items, carrying value approximates fair value due to their short-term nature. Further details of the financial instruments are described in Note 3.

(q) Leases

IFRS 16 Leases ("IFRS 16") specifies how to recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the Company will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The ROU asset is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the Company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the Company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized. The ROU asset is included in property and equipment in the Combined Consolidated Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the Company's estimate of the amount expected to be payable.

(r) Insurance reserves

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Combined Consolidated Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

In accordance with IFRS 4, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

The long-term insurance reserves are calculated separately for each product type, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market.

Insurance reserves are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4.

Insurance reserves represent the amount required to provide for future benefits payments and administrative expenses on policies in force with BAC. Insurance reserves are presented gross of reinsurance assets on the Combined Consolidated Statements of Financial Position. BAC's Appointed Actuary is responsible for determining the amount of insurance reserves in accordance with standards established by the CIA. CALM is used to determine insurance reserves and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that insurance reserves cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

BAC has designated invested assets supporting insurance reserves as FVTPL or as loans and receivables. Since the value of the insurance reserves is determined by reference to the assets supporting those reserves, changes in the insurance reserves offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

Insurance reserves are determined by NER Ltd. using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Insurance reserves are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Insurance reserves are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

(s) Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements ("Modco"). NER Ltd. generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Combined Consolidated Statements of Operations. Assumed premiums are included in premiums on the Combined Consolidated Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Combined Consolidated Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the Company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

(t) Reinsurance ceded

In the normal course of business, BAC is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are assessed for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

Longevity reinsurance

BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Combined Consolidated Statements of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Combined Consolidated Statements of Operations.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Combined Consolidated Statements of Financial Position. The reinsurance assets related to longevity reinsurance is the difference between the schedule of fixed and actual benefit payments on a proportion of defined blocks of business.

Quota share reinsurance

BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of business.

At the inception of each quota share reinsurance contract, premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC also recognizes a reinsurance asset and a change in insurance reserves ceded in the Combined Consolidated Statements of Financial Position and the Combined Consolidated Statements of Operations, respectively. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by OSFI. The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

(u) Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Combined Consolidated Statements of Operations.

(v) Deferred acquisition costs

The Company incurs costs in connection with acquiring or renewal of reinsurance business. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as deferred acquisitions costs (“DAC”) to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances. The DAC is amortized over the life of the policies in proportion to the estimated gross profits.

(w) Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

(x) Benefits paid

Gross benefits and benefits ceded are recorded in the Combined Consolidated Statements of Operations when they are due and incurred.

(y) Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments and derivatives represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on investments and derivatives measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

Investment upfront fees are recognized when the performance obligation has been satisfied under the contractual terms and customary business practice, which may be satisfied over time or at a point in time, in accordance with IFRS 15. The amounts are included in net investment income.

(z) Net investment results from funds withheld

Net investment results from funds withheld include investment income on funds withheld investments and changes in the fair value of derivatives embedded in reinsurance contracts, as discussed in Note 2(k). Changes in the fair value of the embedded derivative are included in the net investment results from funds withheld in the Combined Consolidated Statements of Operations.

(aa) Net hedging expenses

Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the Company's insurance operating companies' investment portfolios or insurance reserves.

(ab) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the Company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

(ac) Foreign currencies

The Company’s functional currency was changed from Canadian Dollar (“CAD”) to USD during the fourth quarter as the primary economic activities which influenced the services provided, investment portfolio and financing activities were based in the United States. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the year. Gains or losses on translation of these items are included in net income.

For purposes of presenting the financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the year. Gains or losses on translation of these items are included in other comprehensive income.

There was no impact on the financial statements as a result of the change in functional currency, as the Company's presentation was previously determined to be USD.

(ad) Investment in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. We use the equity method to account for our investments in associates within the Combined Consolidated Statements of Financial Position.

Interests in associates accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the Company’s proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the Company’s interest in an associate is adjusted for the Company’s share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 8.

(ae) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to five years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The ROU asset is depreciated on the straight-line basis over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

(af) Segments

In accordance with IFRS 8 Operating Segments, the Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocation of resources and assessing performance. The Company's CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the Company. Our operations were reorganized into two reportable segments during the fourth quarter: Reinsurance and PRT (see Note 18).

(ag) Earnings per share

The holders of the class C shares are entitled to received distributions if, as and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the Company's distributable earnings (as determined by management of the Company) after payment of distributions on the class A exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs, and other similar adjustments.

Total outstanding class C shares have been used to calculate basic and diluted earnings per share. Class A exchangeable shares and class B shares are not considered participating securities nor considered to be ordinary shares, and consequently per share amounts for these classes of shares has not been presented.

Basic earnings per share attributable to class C shareholders are calculated by dividing the Company's net income for the year, less distributions payable to class A exchangeable and class B shareholders, by the weighted average number of class C shares outstanding during the year. Diluted earnings per share are determined by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential shares.

Basic and diluted earnings per share for the year ended December 31, 2020 and 2019 of $18.92 and $67.72, respectively, were calculated by dividing the net income attributable to Brookfield for the year by the weighted average number of BAH common shares (2020 – 85 million, 2019 – 81.6 million, respectively). The earnings per share amounts for December 31, 2020 and 2019 are not comparable to the earnings per share amount for the year ended December 31, 2021 as a result of the Spin-off and the issuance of Class A exchangeable shares, class B shares and class C shares on June 28, 2021. Further details of the Spin-off are described in Note 1(b).

(ah) Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of insurance reserves, reinsurance assets, the fair value of financial assets determined using valuation techniques and the impairment of financial instruments. Actual results may differ from our estimates thereby impacting the financial statements. Outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

Management judgment is also used in applying the accounting policies used to prepare the financial statements. The items most susceptible to changes in estimate and judgements are the measurement of reinsurance assets (Note 10), insurance reserves (Note 10), and impairment of available-for-sale securities and loans and receivables (Note 3).

(ai) Structured entities

The Company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the Company, and its reinsurance treaty accounts.

The Company is the primary beneficiary of the variable returns of assets held within the entities, and while the Company is not involved in the investment decision process, the investment manager for the structured entities is a related party with significant residual economic interest in the Company. As a result, these entities are consolidated within the Company's financial statements. We assess the variable returns determination for our structured entities on an ongoing basis. Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the Company's investment in the consolidated structured entities is determined in accordance with the Company's accounting policies for the underlying securities held within the structured entities.

(aj) Amendments adopted during the current year

(i) Interest Rate Benchmark Reform

In August 2020, the IASB published Interest Rate Benchmark Reform—Phase 2, which issued amendments to IFRS 9, IAS 39, IFRS 7 Financial Instruments: Disclosures, IFRS 4 and IFRS 16. The amendments complement Interest Rate Benchmark Reform—Phase 1, which was issued in 2019, and focus on the effects on financial statements when the old interest rate benchmark is replaced with an alternative benchmark rate as a result of the reform. The amendments provide relief from remeasurement impacts on financial instruments and discontinuance of hedge relationships arising from reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments were effective for annual reporting periods beginning on or after January 1, 2021.

Most US London Interbank Offered Rate ("LIBOR") values will be discontinued on June 30, 2023. Transition activities in the market are ongoing and are focused on two broad streams of work: (i) developing new alternative risk-free rate linked products and (ii) converting existing LIBOR-based contracts to alternative risk-free rates. Transition activities for the Company include incorporation of contractual provisions for new LIBOR-based financial instruments that provide a means to determining new alternative benchmark rates upon the expiry of LIBOR. The Company invests in the debt securities that pay interest based on floating interest rates indexed to either one-month, three-month or six-month US LIBOR. As at December 31, 2021, the carrying value of these debt securities was $425 million. The Company does not expect the transition to an alternative risk-free rate to have a material impact on its Combined Consolidated Financial Statements and its risk management strategy. The Company does not have any further exposure to LIBOR as at December 31, 2021.

(ak) Future accounting policy changes

(i) IFRS 17

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB issued the amendment to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023. In addition, the IASB extended the exemption for qualifying insurers to apply IFRS 9 Financial Instruments ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Combined Consolidated Statements of Operations. The Company continues to assess the impact of IFRS 17, which is expected to have a significant impact on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

(ii) *IFRS 9*

In July 2014, the IASB published the complete version of IFRS 9, which replaces IAS 39 and is effective for annual periods beginning on or after January 1, 2018, with retrospective application. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model, and new hedge accounting guidance. In September 2016, the IASB issued an amendment to IFRS 4 to provide qualifying insurance companies with an optional temporary exemption from applying IFRS 9. The Company qualifies and has elected to take the deferral approach as its activities are predominantly connected with insurance.

In December 2021, the IASB published a narrow-scope amendment to IFRS 9, which allow insurers to apply the classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on the initial application of IFRS 9 and IFRS 17.

The Company is currently assessing the impact of implementing IFRS 9 on the Combined Consolidated Financial Statements. Further details are disclosed in Note 3(h).

(iii) *Amendments to IFRS 3*

In May 2020, the IASB issued Reference to the Conceptual Framework, which includes amendments to IFRS 3 Business Combinations. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(iv) *Amendments to IAS 37*

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(v) *Annual Improvements to IFRS Standards 2018-2020*

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our Combined Consolidated Financial Statements. The amendments apply prospectively. The amendments are effective for annual periods beginning on or after January 1, 2022.

(vi) Amendments to IAS 1

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(vii) Amendments to IAS 8

In February 2021, IASB published 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(viii) Amendments to IAS 12

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12, Income Taxes. The amendments relate to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The amendments are effective for annual reporting period beginning on or after January 1, 2023. The Company is evaluating the impact of the adoption of these amendments on its Combined Consolidated Financial Statements.

(al) Impact of COVID-19

Since the outbreak of COVID-19, emergency measures taken in response to the spread of the virus have resulted in significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving and the duration and impact of the COVID-19 pandemic is highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the assets. Where COVID-19 relates specifically to our business, specifically in valuing our insurance and reinsurance liabilities, we have allowed for identified deaths but we have not made any changes to our longevity assumptions as it remains too early to quantify the potential long-term impacts from COVID-19 on longevity.

NOTE 3. FINANCIAL INSTRUMENTS

a) Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT DEC. 31 US$ MILLIONS	2021 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 320	**$ 320**
Cash equivalents	—	—	73	**73**
Total cash and cash equivalents	**—**	**—**	**393**	**393**
Derivatives				
Foreign exchange forwards	10	—	—	**10**
Bond futures	9	—	—	**9**
Options	127	—	—	**127**
Total derivative assets	**146**	**—**	**—**	**146**
Bonds				
Government	377	1,287	—	**1,664**
Corporate	1,586	306	—	**1,892**
Private debt	—	208	—	**208**
Total debt securities	**1,963**	**1,801**	**—**	**3,764**
Common shares	—	275	—	**275**
Preferred shares	4	14	—	**18**
Private equity and other	—	247	—	**247**
Total equity	**4**	**536**	**—**	**540**
Total loans and receivables	**—**	**—**	639	**639**
Total investments	**1,967**	**2,337**	**639**	**4,943**
Reinsurance funds withheld	**4,650**	—	—	**4,650**
Interest rate swaps	(1)	—	—	**(1)**
Total derivative liabilities	**(1)**	**—**	**—**	**(1)**
Funds withheld liabilities	**(12)**	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

AS AT DEC. 31 US$ MILLIONS	2020 FVTPL[1]	 AFS	 Amortized Cost	 Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 16	**$ 16**
Cash equivalents	—	—	19	**19**
Total cash and cash equivalents	**—**	**—**	**35**	**35**
Derivatives				
Foreign exchange forwards	5	—	—	**5**
Bond futures	2	—	—	**2**
Total derivative assets	**7**	**—**	**—**	**7**
Bonds				
Government	372	29	—	**401**
Corporate and other	732	36	—	**768**
Total debt securities	**1,104**	**65**	**—**	**1,169**
Total preferred shares	—	3	—	**3**
Total loans and receivables	—	—	21	**21**
Total investments	**1,104**	**68**	**21**	**1,193**
Funds withheld liabilities	**(12)**	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

The Company assesses that the carrying value of the financial assets measured by amortized cost approximates their fair value.

The fair value of investments, excluding common shares, preferred shares and cash and cash equivalents, are shown by contractual maturity of investments.

AS AT DEC. 31 US$ MILLIONS	2021	2020
Terms to maturity:		
Bonds:		
Within 1 year	**$ 1,223**	$ 31
1-3 years	**50**	46
4-5 years	**116**	40
Over 5 years	**2,167**	1,052
Private debt:		
Within 1 year	**96**	—
1-3 years	**—**	—
4-5 years	**—**	—
Over 5 years	**112**	—
Loans and receivables		
Within 1 year	**170**	—
1-3 years	**117**	3
4-5 years	**116**	—
Over 5 years	**236**	18
Total	**$ 4,403**	$ 1,190

AFS investments and investments measured at amortized cost are individually evaluated for impairment in establishing the allowance for impairment. For the year ended December 31, 2021, the Company did not incur any impairment expense (December 31, 2020 – $Nil).

b) Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13 Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy, excluding financial assets and financial liabilities that are carried at amortized cost.

AS AT DEC. 31 US$ MILLIONS	2021 Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss:				
Bonds	$ —	$ 1,963	$ —	**$ 1,963**
Common shares	243	—	—	**243**
Preferred shares	4	—	—	**4**
Derivative assets	9	137	—	**146**
Reinsurance funds withheld	—	4,650	—	**4,650**
Available for sale:				
Bonds	1,165	428	—	**1,593**
Private debt	—	—	208	**208**
Common shares	1	31	—	**32**
Preferred shares	3	1	10	**14**
Private equity and other	—	—	247	**247**
Total financial assets	**$ 1,425**	**$ 7,210**	**$ 465**	**$ 9,100**
Financial liabilities				
Fair value through profit or loss:				
Derivative liabilities	—	(1)	—	**(1)**
Funds withheld liabilities	—	(12)	—	**(12)**
Total financial liabilities	**$ —**	**$ (13)**	**$ —**	**$ (13)**

AS AT DEC. 31 US$ MILLIONS	2020 Level 1	Level 2	Total
Financial assets			
Fair value through profit or loss:			
Bonds	$ —	$ 1,104	**$ 1,104**
Derivative assets	2	5	**7**
Available for sale:			
Bonds	—	65	**65**
Preferred shares	3	—	**3**
Total financial assets	**$ 5**	**$ 1,174**	**$ 1,179**
Financial liabilities			
Fair value through profit or loss:			
Funds withheld liabilities	—	(12)	**(12)**
Total financial liabilities	**$ —**	**$ (12)**	**$ (12)**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset	Valuation Techniques and Key Inputs
Bonds	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Derivative assets/Derivative liabilities	Foreign currency forward contracts—discounted cash flow model—forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Valuation model is based on interest rate contracts—discounted cash flow model—forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.
Warrants	Valuation model is based on intrinsic value calculated by the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
Reinsurance funds withheld	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

The Company performs initial and ongoing analysis and review of the valuation techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the valuation assumptions are reasonable. The Company analyzes and reviews the data, assumptions and valuation model to ensure that the fair value represents a reasonable estimate as at reporting period end and to monitor controls around fair value measurement, which includes quantitative and qualitative analysis and is overseen by the Company’s investment and accounting personnel.

Fair values determined using valuation models requiring the use of unobservable inputs (Level 3 financial assets and liabilities) include assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those unobservable inputs, the Company uses observable external market inputs such as interest rate yield curves, currency rates and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement of Level 3 financial instruments:

Type of Asset	**Valuation Techniques**	**Significant Unobservable Inputs**	**Significant unobservable inputs and relationship of unobservable inputs to fair value**
Private equity	Discounted cash flows	• Future cash flows The future cash flows are based on cash flows flowing to the underlying investment • Discount rate The discount rate reflects the inherent risk of the underlying investment	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in discount rate increase (decrease) fair value
Private debt	Discounted cash flows	• Future cash flows The future cash flows include expected interest and principal payments. • Discount rate The discount rate reflects the credit spreads used and the liquidity conditions of the debt instrument.	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in discount rate increase (decrease) fair value

The following table presents the change in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2021 and 2020:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Balance, beginning of year	**$ —**	$ —
Fair value changes in other comprehensive income	**4**	—
Additions	**1,021**	—
Disposals	**(8)**	—
Balance, end of year	**$ 1,017**	**$ —**

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2021 and 2020.

c) **Net investment income**

Net investment income is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Interest income			
Cash and cash equivalents	**$ 1**	$ —	$ —
FVTPL investments	**51**	28	19
AFS investments	**12**	2	1
Loans and receivables	**5**	—	—
Total interest income	**69**	30	20
Realized gains on investments and derivatives			
FVTPL investments	**3**	3	10
Derivatives	**14**	—	—
AFS investments	**2**	—	—
Foreign exchange gain/loss	**9**	—	—
Total realized gains on investments and derivatives	**28**	3	10
Unrealized gains (losses) on investments and derivatives			
FVTPL investments	**(60)**	46	26
Derivatives	**27**	6	1
Total unrealized gains (losses) on investments and derivatives	**(33)**	52	27
Investment manager fees	**(4)**	(1)	—
Net investment income	**$ 60**	$ 84	$ 57

d) Net investment results from funds withheld

Net investment results from funds withheld is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Interest income			
FVTPL investments	**$ 29**	$ —	$ —
Total interest income attributable to funds withheld	**29**	—	—
Realized losses on investments and derivatives			
FVTPL investments	**(2)**	—	—
Foreign exchange losses	**(4)**	—	—
Total realized losses on investments and derivatives attributable to funds withheld	**(6)**	—	—
Unrealized losses on investments and derivatives			
FVTPL investments	**(19)**	—	—
Foreign exchange losses	**(1)**	—	—
Total unrealized losses on investments and derivatives attributable to funds withheld	**(20)**	—	—
Other investment income	**75**	—	—
Net investment results from funds withheld	**$ 78**	**$ —**	**$ —**

e) Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, bond forwards, currency swaps, interest rate swaps and warrants. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments.

Foreign exchange forwards, bond forwards, currency swaps, interest rate swaps and warrants are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default. As at December 31, 2021, the derivative counterparty credit risk was $146 million (2020 – $7 million) and the counterparties credit rating was A- or higher (2020 – A+ or higher).

Notional principal by terms of maturity and the fair value of derivatives are presented in the table below.

AS AT DEC. 31, 2021
US$ MILLIONS

	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount: Within 1 year	1-3 years	4-5 years	Over 5 years	Notional principal
Exchange traded								
Bond futures	$ 9	$ —	$ 22	$ 730	$ —	$ —	$ —	$ 730
Over-the-counter								
Foreign exchange forwards	10	—	1	787	59	—	—	846
Warrants	—	—	—	1	—	—	—	1
Currency swaps	—	—	—	—	10	—	8	18
Interest rate swaps	—	(1)	—	—	—	1	71	72
Options	127	—	—	5,802	—	—	—	5,802
Total	**$ 146**	**$ (1)**	**$ 23**	**$ 7,320**	**$ 69**	**$ 1**	**$ 79**	**$ 7,469**

[1]Derivative liabilities are included in the Note 9 Accounts Payable and Other.

AS AT DEC. 31, 2020
US$ MILLIONS

	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount: Within 1 year	1-3 years	4-5 years	Over 5 years	Notional principal
Exchange traded								
Bond futures	$ 2	$ —	$ 13	$ 192	$ —	$ —	$ —	$ 192
Over-the-counter								
Foreign exchange forwards	5	—	—	235	—	—	—	235
Interest rate swaps	—	—	—	—	—	—	7	7
Total	**$ 7**	**$ —**	**$ 13**	**$ 427**	**$ —**	**$ —**	**$ 7**	**$ 434**

The Company monitors the fair values of bond futures and forwards on a daily basis, with additional cash collateral obtained or refunded as necessary.

Bond futures, foreign exchange forwards and options mature in less than 1 year. Interest rate swaps mature in over 4 years and settle on a semi-annual basis. Derivatives are measured at FVTPL and are reported on the Combined Consolidated Statements of Financial Position as derivative assets or derivative liabilities. The fair value of exchange-traded futures contracts is determined based on Level 1 inputs. OTC foreign currency forwards, bond forwards, currency swaps and interest rate swaps are valued on the contract notional amounts, which is the difference between contract and market rates. These inputs are derived from observable market data and as such are classified as Level 2 instruments.

For OTC derivatives, collateral is collected from and pledged to derivative counterparties according to the Credit Support Annexes, which form part of the International Swaps and Derivatives Associations' master agreements, when the exposure exceeds a specified threshold. For exchange-traded derivatives, their positions are margined on a daily basis (both initial margin and variation margin) subject to derivative clearing agreements with the exchanges and clearing houses. As at December 31, 2021, the Company has pledged $23 million of financial assets as collateral under the terms of the derivative contracts (2020 – $13 million).

For an analysis of the Company’s risks arising from financial instruments and the policies and procedures to manage these risks refer to Note 12 Risk Management.

f) Securities sold under repurchase agreements

Securities sold under repurchase agreements are accounted for as collateralized borrowing transactions, are measured at amortized cost and are recorded at the amounts at which the securities were initially sold. Under these agreements, the Company may sell securities from its portfolio for periods of time. In exchange, the Company obtains possession of cash from the financial institution with market values equal to the principal amount sold under these agreements. As at December 31, 2021, the Company did not have amounts outstanding under repurchase agreements (2020 – $Nil). For the year ended December 31, 2021, interest expense paid related to the use of the repurchase agreements was $Nil (2020 – $Nil).

The cash received by the Company is equal to the market value of the securities sold on the trade date. As a result, there is no significant exposure to credit risk associated with these agreements.

g) Summary of investments

AS AT DEC. 31 US$ MILLIONS	2021 Carrying Amount	2021 Percent	2020 Carrying Amount	2020 Percent
Corporate debt securities				
Corporate bonds	$ 1,892	37 %	$ 788	66 %
Private debt	208	4 %	—	— %
Private loans	517	10 %	—	— %
Mortgages	122	3 %	—	— %
	2,739	54 %	788	66 %
Government bonds				
United States government	1,271	25 %	25	2 %
Canada government	61	1 %	35	3 %
Canada provincials	332	7 %	341	28 %
	1,664	33 %	401	33 %
Derivatives				
Foreign exchange forwards	10	— %	5	— %
Bonds futures	9	— %	2	— %
Options	127	3 %	—	— %
	146	3 %	7	1 %
Equity				
Preferred shares	18	— %	3	— %
Common shares	275	5 %	—	— %
Private equity and other	247	5 %	—	— %
	540	10 %	3	— %
Total	$ 5,089	100 %	$ 1,199	100 %

h) Solely Payments of Principal and Interest ("SPPI") Disclosure

As noted in Note 2 (aj)(ii), the Company has taken the temporary exemption to apply IFRS 9 until IFRS 17 is adopted on January 1, 2023 on the basis that the Company's activities are predominantly connected with insurance, and it has not previously applied IFRS 9. The percentage of the total carrying amount of the liabilities connected with insurance relative to the total carrying amount of all its liabilities was less than or equal to 90 per cent but greater than 80 per cent, and the Company determined that it did not engage in a significant activity unconnected with insurance.

As a consequence of deferring the introduction of IFRS 9, we will provide additional disclosures until we apply the standard for the first time in order to compare our presentation of investments and other financial instruments with those of companies that already apply IFRS 9.

The following additional disclosure, required by IFRS 4 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company's financial assets as of and for the years ended December 31, 2021 and December 31, 2020, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are SPPI on the principal amount outstanding and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("Non-SPPI").

AS AT DEC. 31, 2021 US$ MILLIONS	SPPI		Non-SPPI	
	Fair value	Change in fair value	Fair value	Change in fair value
Financial assets				
Debt securities	$ 1,884	$ 2	$ 2,023	$ 2
Equities	—	—	397	—
Loans and receivables	639	—	—	—
Total	**$ 2,523**	**$ 2**	**$ 2,420**	**$ 2**

AS AT DEC. 31, 2020 US$ MILLIONS	SPPI		Non-SPPI	
	Fair value	Change in fair value	Fair value	Change in fair value
Financial assets				
Debt securities	$ 43	$ 1	$ 1,125	$ —
Equities	—	—	3	—
Loans and receivables	21	—	—	—
Total	**$ 64**	**$ 1**	**$ 1,128**	**$ —**

The following additional disclosure, required by IFRS 4 for eligible insurers, presents the credit risk ratings of SPPI financial assets:

AS AT DEC. 31, 2021 US$ MILLIONS	Credit risk	Carrying value (Fair value)	% of fair value
Debt securities			
AAA	Low	$ 113	5 %
AA	Low	19	1 %
A	Low	1,203	48 %
BBB	Low	100	4 %
BB	Other	104	4 %
B	Other	32	1 %
Unrated	Other	313	12 %
Loans and receivables			
A	Low	$ 60	2 %
BBB	Low	36	1 %
BB	Other	152	6 %
Unrated	Other	391	16 %
Total		**$ 2,523**	**100 %**

AS AT DEC. 31, 2020 US$ MILLIONS	Credit risk	Carrying value (Fair value)	% of fair value
Debt securities			
AAA	Low	$ 22	34 %
AA	Low	7	11 %
A	Low	10	16 %
BBB	Low	4	6 %
Loans and receivables			
Unrated	Other	$ 21	33 %
Total		**$ 64**	**100 %**

NOTE 4. ACCOUNTS RECEIVABLE AND OTHER

The Company's accounts receivable and other consist of the following:

AS AT DEC. 31 US$ MILLIONS	2021	2020
Reinsurance receivable	**$ 12**	$ 2
Accrued investment income	**21**	7
Due from related party	**10**	—
Other assets	**4**	4
Total accounts receivable and other	**$ 47**	$ 13

In 2021 and 2020, reinsurance receivable relates to amounts recoverable from third-party reinsurers and cedants. All amounts are expected to be settled within a year.

NOTE 5. PROPERTY AND EQUIPMENT

The Company’s property and equipment consists primarily of a ROU asset. As at December 31, 2021 the property and equipment balance was $2 million (2020 - $2 million). The additions, amortization and disposals to property and equipment during 2021 were $Nil (2020 - $1 million, $Nil, $Nil).

NOTE 6. INTANGIBLE ASSETS

In 2021, the Company recognized $3 million of computer software as intangible assets, which are not yet available for use as at December 31, 2021. Intangible assets not yet available for use are assessed for impairment irrespective of whether there is any indication of impairment. For the year ended December 31, 2021, the Company did not incur an impairment expense (2020 – $Nil).

NOTE 7. DEFERRED ACQUISITION COSTS

The following table presents movement in deferred acquisition costs and the impact on expenses:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS		2021		2020
Deferred acquisition costs, beginning of year	$	—	$	—
Costs capitalized under reinsurance contracts		775		—
Amortization and other		1		—
Deferred acquisition costs, end of year	**$**	**776**	**$**	**—**

NOTE 8. EQUITY ACCOUNTED INVESTMENTS

The following table presents the change in the Company's investments in associates during the year:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS		
Balance, beginning of year	$	—
Additions		294
Share of net income		8
Share of comprehensive income		44
Dividends received		(2)
Balance, end of year	**$**	**344**

The addition of $294 million during the year relates to the Company's equity accounted investment in AEL Holdings. AEL Holdings, through its wholly-owned subsidiaries, is a leading issuer of fixed index annuities through independent agents, banks and broker-dealers in the United States with its corporate headquarters in Des Moines, Iowa.

The Company originally acquired a 9.5% interest in AEL Holdings at the time of Spin-Off and the investment was treated as a financial asset. During the third quarter, as a result of a firm commitment to enter into the reinsurance agreement with American Equity Investment Life Insurance Company (“AEILIC”), a subsidiary of AEL Holdings, management concluded that they had significant influence over AEL Holdings, and as such, derecognized the financial asset and recorded an equity accounted investment. As at December 31, 2021 the Company's ownership interest was 9.8% as a result of common share repurchases and cancellations completed by AEL Holdings during the period.

The Company accounts for AEL Holdings using the equity method of accounting by recognizing its share of income and OCI from its 9.8% ownership interest in the equity accounted investment one quarter in arrears, which is the most up to date information available to the Company. AEL Holdings does not present a classified balance sheet. The summarized financial information below represents amounts in AEL Holdings' financial statements, adjusted by the Company for equity accounting purposes:

AS AT AND FOR THE SIX MONTHS ENDED SEP. 30, 2021 US$ MILLIONS		
Total assets	$	78,318
Total liabilities		71,943
Accumulated other comprehensive income		1,957
Other stockholders' equity		4,418
Total revenues		1,618
Total expenses		(1,491)
Income tax expense		(29)
Preferred stock dividends		(22)
Net income		76
Other comprehensive income		452

AEL Holding"s shares are traded on the New York Stock Exchange. The fair value of the Company's shares in AEL Holdings is $354 million based on the quoted price as at December 31, 2021. The Company received $2 million of dividends from AEL Holdings during the year.

NOTE 9. ACCOUNTS PAYABLE AND OTHER

The Company's accounts payable and other consist of the following:

AS AT DEC. 31 US$ MILLIONS		**2021**		2020
Accounts payable and accrued liabilities	**$**	**57**	$	4
Derivative liabilities		**1**		—
Other		**7**		2
Total accounts payable and other	**$**	**65**	$	6

NOTE 10. INSURANCE RESERVES

The Company's insurance reserves are as follows:

AS AT DEC. 31 US$ MILLIONS		**2021**		2020
Gross	**$**	**8,497**	$	1,339
Reinsurance assets		**(169)**		(190)
Total insurance reserves	**$**	**8,328**	$	1,149

Reinsurance assets reflect immediate and deferred annuity payments ceded under the longevity reinsurance and quota share reinsurance arrangements.

a. Nature and composition

Reinsurance

NER SPC's insurance reserves represent Fixed Indexed Annuity ("FIA") contracts that provide contract owners the possibility of earning returns linked to the performance of a specified market index, predominantly the S&P 500 Index, while providing principal protection. The contracts include a provision for a minimum guaranteed surrender value in accordance with applicable law. The products allow policyholders to allocate funds periodically among several different crediting strategies, including index-based strategies and a traditional fixed rate strategy. High surrender charges apply for early withdrawal.

The policyholder account value of the FIA is equal to the sum of deposit paid, premium bonus, and index credits based in the relevant market index (subject to cap, spread and/or participation rate which can typically be reset) less any fees for riders and any withdrawals taken to-date.

NER Ltd.'s insurance reserves represent multi-year guaranteed annuity contracts that provide owners a guaranteed rate of return. Premiums and credited interest are protected from market volatility, which provides long-term financial security and predictability for policyholders.

PRT

The insurance reserves represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not reached pensionable age. The Company's insurance contracts are a mixture of group annuity "buy-in" policies, where the policyholder is the pension fund, and group annuity "buy-out" policies, where the policyholder is the administrator. The Company provides group annuity policies across Canada.

b. Valuation assumptions

Reinsurance

NER SPC's insurance reserves are based on actuarial assumptions related to the underlying policies' terms, lives of the policies, duration of the contract, yield on investments supporting the liabilities, level of expenses. Significant assumptions also include policyholder behavior assumptions, such as surrender, lapse, withdrawal rates. NER SPC uses a combination of actual and industry experience when setting and updating policyholder behavior assumptions. Assumptions are at best estimate with margins for adverse deviation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

NER Ltd.'s insurance reserves have no actuarial assumptions as the reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

PRT

The insurance reserves represent the present value of the future annuity payments and expenses measured in accordance with the CALM described in Note 2 Summary of significant accounting policies, section (r) Insurance Reserves. It incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation, and inflation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

The principal valuation assumptions and the methods for arriving at these valuation assumptions are outlined below.

Longevity

Mortality assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors including, but not limited to, gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data comprises of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

Mortality improvement assumptions follow the prescribed mortality improvement scales issued by the CIA.

Investment returns

Projected cash flows from the current assets and liabilities are used in CALM to determine insurance reserves. Assumptions are made regarding rates of returns on supporting assets. Projected cash flows from assets used in the actuarial calculations are reduced to provide for potential asset default losses. The calculation for future credit losses on assets is based on the credit quality underlying the asset portfolio.

Other assumptions

The internal costs of maintaining the insurance reserves, the fees paid to third-party administrators engaged to manage payments under the in-force policies, and fees due to reinsurers and investment management expenses, as well as inflation are factored into the calculation of the insurance reserves where applicable.

c. Net change in insurance reserves

The following table summarizes the movement between insurance reserves for the years ended December 31, 2021 and 2020 by its major components:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Gross reserve	Reinsurance assets	Net
Beginning of year	$ 1,339	$ 190	**$ 1,149**
Changes during the year			
New business	7,180	—	**7,180**
Normal changes	(310)	(20)	**(290)**
Management actions and changes in assumptions	282	(2)	**284**
	7,152	(22)	**7,174**
Impact of foreign exchange[1]	6	1	**5**
Balance at end of year	**$ 8,497**	**$ 169**	**$ 8,328**

FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Gross reserve	Reinsurance assets	Net
Beginning of year	$ 856	$ 197	**$ 659**
Changes during the year			
New business	414	—	**414**
Normal changes	67	(9)	**76**
Management actions and changes in assumptions	(24)	(2)	**(22)**
	457	(11)	**468**
Impact of foreign exchange[1]	26	4	**22**
Balance at end of year	**$ 1,339**	**$ 190**	**$ 1,149**

1. Foreign currency translation reported as a separate component of other comprehensive income. See Note 2(ac) Foreign currencies

Under fair value accounting adopted by RPT business, movement in the fair value of the supporting assets is a major factor in the movement of insurance reserves. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance reserves associated with the change in the value of the supporting assets is included within normal changes above. The insurance reserve from reinsurance activities is not sensitive to the fair value of the supporting assets under US GAAP reserve methodology.

In 2021, the gross reserves consist of $2.2 billion from BAC, $1.6 billion from NER Ltd. and $4.7 billion from NER SPC. The main contributors to the increase in net insurance reserves were the impact of new business of $$7.2 billion partially offset by reinsurance transactions of $22 million. Management actions and changes in assumptions increased reserves by $284 million. The increase was primarily due to revisions to expense assumptions to reflect the most recent experience analysis, offset by revisions to interest rate risk assumptions and the execution of longevity swaps.

On October 8, 2021, NER SPC closed a retrocession agreement with an effective date of July 1, 2021 with an insurance company which was the Company's associate. At the effective date, NER SPC assumed embedded derivative insurance reserves in the amount of $193 million which subsequently increased to $204 million at December 31, 2021.

In 2020, the entire gross reserve related to BAC. The main contributors to the increase in net insurance contract liabilities were the impact of new business of $414 million and the impact of normal changes of $76 million. Management actions and changes in assumptions lowered the reserves by $22 million. The decrease was primarily due to modelling enhancements related to the reinvestment assumption and asset cash flows.

The Company’s risks arising from insurance contract liabilities are principally interest rate and longevity. The policies and procedures to manage these risks and sensitivity analysis are described in Note 12 Risk Management.

d. Reinsurance ceded results

Any gains or losses on reinsurance transactions are recognized in income on inception of the transactions and are included in change in insurance contract liabilities ceded in the Combined Consolidated Statements of Operations. In December 2020, BAC entered into two longevity reinsurance transactions which resulted in after-tax losses on inception of approximately $1 million. In December 2021, BAC entered into another longevity reinsurance transaction which resulted in an after-tax loss on inception of approximately $1 million.

As at December 31, 2021, BAC’s total expected fixed payments and actual costs of benefit expenses to be reimbursed under longevity reinsurance transactions used in valuing reinsurance assets were $1.1 billion and $1.1 billion (2020 - $493 million and $483 million) respectively. The difference between fixed payments and actual costs on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations.

Reinsurance fees in respect of longevity reinsurance arrangements are recognized when due to reinsurers and are included in premiums ceded in the Combined Consolidated Statements of Operations:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Reinsurance fees in respect of longevity reinsurance arrangements	**$ 1**	$ —

NOTE 11. SHARE CAPITAL

The Company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $39.74 per share;
ii. 500,000 Class B Limited Voting Shares with a par value of $39.74 per share;
iii. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;
iv. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;
v. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;
vi. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;
vii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the Company as at December 31, 2021 and December 31, 2020 comprises the following:

	December 31, 2021		**December 31, 2020**	
	Number of shares	Value	Number of shares	Value
Issued				
Class A exchangeable shares	10,877,989	$ 535	—	$ —
Class B shares	24,000	1	—	—
Class C shares	23,544,548	963	—	—
Share capital		**$ 1,499**		**$ —**

NOTE 12. RISK MANAGEMENT

The management of risk is central to the success of the business. The Company seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in business processes.

The Board has overall responsibility for the management of risk and is supported through formal committees of the Board including the Risk Committee.

The Company manages risk by applying the principles and guidelines outlined in the enterprise risk management framework presented to the BAM Re Board (the "ERM Framework"). The ERM Framework establishes the overall risk management framework that includes the following:

- Risk inventory – identifies and defines the risks arising from the Company's business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;

- Risk appetite – determines the nature and amount of risk the Company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;

- Risk governance – establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the Company; and

- Risk management process – codifies a consistent approach to the identification, assessment, measurement, control, monitoring and reporting of risks faced by the Company.

As part of the risk governance framework, the Company operates a three lines of defense model. Under this model, the accountabilities of each line of defense are:

- First line – business management: day to day responsibility for managing and identifying risks, ensuring activities are within risk appetite and established policies, and designing and implementing effective internal controls;

- Second line – risk management function: establish enterprise governance, risk and control strategies and policies; provide oversight and independent effective challenge to the first line, as well as training, tools and advice; and

- Third line – internal audit: independently verify the adequacy and effectiveness of the first and second lines of defense, and that the enterprise risk management framework is operating effectively.

An Own Risk and Solvency Assessment ("ORSA") is undertaken by BAC at least annually. The ORSA involves a comprehensive assessment of the Company's risks, capital needs and solvency position, as well as solvency forecasting across a range of scenarios including plausible stresses that could jeopardize the Company's business plans. BAC also evaluates its exposure to sustained adverse scenarios through other stress testing techniques such as the Financial Condition Testing ("FCT").

A Commercial Insurers' Solvency Self-Assessment ("CISSA") is undertaken by NER Ltd. at least annually. The primary purpose of the CISSA exercise is to allow NER Ltd. to incorporate an analysis of the internal capital needs into the risk management frameworks. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term, including factoring in the impact of catastrophic shocks. The CISSA framework provides a perspective of the capital resources necessary to achieve NER Ltd.'s business strategies and remain solvent given their risk profile, as well as insight into the risk management and governance procedures surrounding these processes.

The Company has established recurring routines for monitoring and reporting on risks. Risk management reports are provided to management on a monthly basis and to the Board and Risk Committee on a quarterly basis. The reports include risk exposures measured against Board-approved risk appetite tolerances, and where relevant, management actions are identified to ensure risk mitigation and controls are effective.

The principal risk factors that affect the Company's operations and financial condition include financial risks such as market risk, credit risk and liquidity risk, insurance risk and other risks such as regulatory risk and operational risk.

The following sections describe the primary financial risks and associated risk management strategies in place that affect the Company's operations and financial condition.

a. Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, or credit spreads.

The Company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and by holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures.

Financial instruments held by the Company that are subject to market risk include other financial assets, borrowings and derivative instruments.

1. *Interest rate risk*

The Company manages interest rate risk through an asset liability management ("ALM") framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance contract liabilities. Within the context of the ALM framework, the Company uses derivatives including interest rate swaps and bond futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

The Investment Policy outlines the duration constraints that have been approved by the Board. In operationalizing these constraints, considerably more confining duration-based targets have been established that are closely monitored and reported to management in monthly business updating meeting and to the Board and Risk Committees on a quarterly basis.

The following table shows the sensitivity to changes in interest rates:

	2021		2020	
AS AT DEC. 31 US$ MILLIONS	**50 bps increase**	**50 bps decrease**	50 bps increase	50 bps decrease
Movement in liabilities	**$ 103**	**$ (105)**	$ 63	$ (63)
Movement in assets	**(248)**	**329**	(62)	62
Tax effect	**(4)**	**4**	—	—
Impact on comprehensive income	**$ (149)**	**$ 228**	$ 1	$ (1)

The Investment Policy is reviewed at least annually and approved by the Board.

2. *Foreign exchange risk*

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the USD.

The Company manages foreign exchange risk using foreign exchange forwards. The Investment Policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

The Company holds financial instruments with net unmatched exposures in several currencies, changes in the translated value of which are recorded in net income. As at December 31, 2021, a 1% fluctuation in USD against non-USD currencies would have an impact of approximately $1 million on net income and $1 million on OCI (2020 – $Nil million on net income and $Nil on OCI).

b. Credit risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The Company is primarily exposed to credit risk through its investments in debt securities and reinsurance funds withheld.

The Company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy.

1. *Asset quality*

The following table summarizes the external credit ratings for cash and cash equivalents and investments:

AS AT DEC. 31, US$ MILLIONS		2021			2020	
Cash and cash equivalents	**$**	**393**	**4 %**	$	35	3 %
Bonds and other debt securities						
AAA		512	5 %		409	33 %
AA		55	1 %		11	1 %
A		1,516	15 %		121	10 %
BBB		1,306	13 %		617	50 %
BB		151	1 %		10	1 %
B		54	— %		1	— %
Unrated		170	2 %		—	— %
		3,764	**37 %**		1,169	95 %
Preferred shares						
P2		7	— %		3	— %
BB		1	— %		—	— %
Unrated		10	— %		—	— %
		18	**— %**		3	— %
Common shares						
A+		243	2 %		—	— %
Unrated		32	**— %**		—	— %
		275	**2 %**		—	— %
Other equity						
Unrated		**247**	**2 %**		—	— %
Private loans						
A		60	1 %		—	— %
BBB		55	1 %		—	— %
BB		151	2 %		—	— %
Unrated		251	3 %		—	— %
		517	**7 %**		—	— %
Mortgages						
Unrated		122	1 %		21	2 %
		122	**1 %**		21	2 %
Reinsurance Funds Withheld						
AAA		819	8 %		—	— %
AA		228	2 %		—	— %
A		891	9 %		—	— %
BBB		2,484	26 %		—	— %
BB		105	1 %		—	— %
B		30	— %		—	— %
Unrated		93	1 %		—	— %
		4,650	**47 %**		—	— %
Total cash and cash equivalents and investments	**$**	**9,986**	**100 %**	$	1,229	100 %

The Company's overall target credit quality for the portfolio is a credit rating of BBB+. As at December 31, 2021 and 2020, the Company met this requirement.

2. *Concentration*

Concentrations of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics.

Bonds

The following table provides the fair value of investments by groups of issuers of bonds:

	2021		2020	
Government bond holdings	$ 1,664	47 %	$ 401	34 %
Corporate and other bond holdings	1,892	53 %	768	66 %
Total bond holdings	**$ 3,556**	**100 %**	$ 1,169	100 %

The following table discloses the Company's top 5 holdings of issuers (excluding governments), as well as exposure to the largest single issuer of corporate bonds.

	2021	2020
Exposure to the top 5 largest issuers of corporate bonds	**$ 161**	$ 90
% of total cash and cash equivalents and investments	**3 %**	7 %
Exposure to the largest single issuer of corporate bonds	**32**	18
% of total cash and cash equivalents and investments	**1 %**	2 %

3. *Derivative counterparties*

Credit risk also arises in respect of derivative contracts to the extent that there is the potential for the counterparties to default on their obligations. To manage this risk, derivative transactions are limited to an approved list of counterparties and in some cases are fully collateralized with highly rated instruments. The derivative counterparty risk as of December 31, 2021 and 2020 was $146 million and $7 million, respectively. As at December 31, 2021, these counterparties have a credit rating of A or higher (2020 - A+ or higher).

4. *Reinsurance counterparties*

BAC has reinsurance contracts with third-party registered reinsurers and one third-party unregistered reinsurer with a total exposure of $169 million at December 31, 2021 (2020 – $190 million). To manage counterparty risk, reinsurance transactions are limited to an approved list of reinsurers with concentration limits to any single reinsurer.

Under the reinsurance contracts with third-party unregistered reinsurers, highly rated assets are required to be pledged to the Company to fully support the ceded reserves. The Company maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, the Company has the right to liquidate or take legal possession of these assets, in a timely manner.

As at December 31, 2021, the credit ratings of the reinsurers are A+ (2020 - A+).

NER Ltd. and NER SPC have reinsurance contracts with third-party cedants with a total exposure of $6,253 million at December 31, 2021 (2020 – $Nil).

As at December 31, 2021, the credit ratings of the third-party cedants are A- or higher.

5. *Impaired Assets*

The Company reviews all reinsurance assets at each reporting date and determined that there was no evidence of impairment as at December 31, 2021 and 2020.

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

Cash outflows primarily consist of benefit payments to policyholders and to a lesser extent, operating expenses and settlement of derivative contracts.

The following table sets out the expected maturity profile of the Company's financial liabilities:

AS AT DEC.31, 2021 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Accounts payable and other	$ 65	$ —	$ —	$ —	**$ 65**
Due to related party	467	—	—	—	**467**
Reinsurance payable	21	14	15	25	**75**
Corporate borrowings	656	37	—	—	**693**
Insurance reserves	368	769	792	6,568	**8,497**
Deferred revenue	4	7	7	64	**82**
Liabilities of structured entities	—	—	—	167	**167**
Funds withheld liabilities	12	—	—	—	**12**
Total	**$ 1,593**	**$ 827**	**$ 814**	**$ 6,824**	**$ 10,058**

AS AT DEC.31, 2020 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Accounts payable and other	$ 5	$ 1	$ —	$ —	**$ 6**
Insurance reserves	21	85	85	1,148	**1,339**
Funds withheld liabilities	12	—	—	—	**12**
Total	**$ 38**	**$ 86**	**$ 85**	**$ 1,148**	**$ 1,357**

To manage liquidity risk, the Company as part of its ALM framework, purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to closely match those of the annuity policy liabilities. The Company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

In addition, the company has a credit agreement with Brookfield Asset Management as lender, providing for a three-year $200 million revolving credit facility, and an agreement for a $150 million third-party revolving credit facility. As at December 31, 2021 there was $nil drawn on the Brookfield Credit Agreement (December 31, 2020 – $Nil), and $37 million drawn on the third-party revolving credit facility (December 31, 2020 – $Nil).

In addition, a subsidiary of the the Company has access to a CAD$150 million repurchase agreement (2020 - CAD$150 million). As at December 31, 2021, there were no amounts outstanding under the repurchase agreement (2020 – $Nil).

d. Insurance risk

PRT

Insurance risk is the risk that actual experience related to benefit payments and expenses does not emerge as expected. The Company is primarily exposed to longevity risk.

Longevity risk is the risk that mortality experience occurs at lower rates than that assumed at the time of pricing which exposes the Company to benefit payments that will be paid for longer periods than anticipated.

Longevity assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors established at the time of pricing. These factors take into consideration the characteristics of the annuitants including but not limited to gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data is comprised of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

These inputs and analytics support the Company's assessment of longevity risk.

To reduce longevity risk within our PRT business, the Company enters into longevity reinsurance transactions with third party reinsurers. Under these contracts, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to the Company. As at December 31, 2021, the Company has entered into longevity reinsurance contracts and has reinsured approximately 71% of its longevity risk (2020 – 54%).

The following table shows the sensitivity to changes in longevity risk. These sensitivities reflect the impact of any applicable ceded reinsurance arrangements.

	Mortality Rate		Mortality Improvement	
AS AT DEC. 31, 2021 US$ MILLIONS	5% Increase	5% Decrease	50% Increase	50% Decrease
Impact on comprehensive income	**$ 10**	**$ (9)**	**$ (12)**	**$ 13**

	Mortality Rate		Mortality Improvement	
AS AT DEC. 31, 2020 US$ MILLIONS	5% Increase	5% Decrease	50% Increase	50% Decrease
Impact on comprehensive income	**$ 6**	**$ (6)**	**$ (8)**	**$ 8**

Reinsurance

NER SPC reinsures fixed indexed annuity products only. Generally, the assumptions that are the most sensitive for fixed indexed annuity products are changes to investment yields, utilization rates, partial withdrawal rates, lapse rates and mortality. However, our reserves are less sensitive to changes in assumption at this point in time considering the mechanics of our reserving process.

At treaty inception, projected base contract cash flows are bifurcated into two parts: a host liability that reserves for contractually guaranteed payments and an embedded derivative that represents the value of payments in excess of guarantees; for the current treaty, the host liability makes up the vast majority of the reserve liability. The host liability after inception is calculated using an effective yield approach based on a host accrual rate that equates the present value of actual and projected future guaranteed benefit payments to the initial host liability. The host accrual rate is revised as experience emerges, actual cash flows replace projected, and best estimate assumptions about the future are updated. Given this financial year end is only six months following treaty inception, the impact of rolling forward at a different accrual rate recalibrated from changing assumptions is minimized by the short period.

Investment yield risk is a shift in market interest rates associated with investment fixed income instruments. The embedded derivative, measured at fair value, is most sensitive to investment yields as this directly affects its discount rate.

The following table shows the impact on the overall liability to changes in mortality (as described in PRT sensitivity) and changes to investment yields:

	Mortality Rate		Yield	
AS AT DEC. 31, 2021 US$ MILLIONS	10% Increase	10% Decrease	50 bps Increase	50 bps Decrease
Impact on comprehensive income	**$ (1)**	**$ 1**	**$ (11)**	**$ 12**

e. Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

The Company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board.

Disaster recovery and business continuity plans have also been established to manage the Company's ability to operate under adverse conditions.

f. Regulatory risk

Regulatory risk stems principally from the risk of changes to the regulatory environment in which the Company operates. To manage this risk, the Company seeks to a have a regular dialogue with regulators to ensure compliance. Furthermore, senior management participates in industry groups and professional bodies to stay apprised of regulatory changes.

NOTE 13. CORPORATE BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by global banks. The total available amount on the credit facilities is $150 million. The credit facilities are available in U.S. and Canadian dollars and advances under the credit facilities bear interest at the specified LIBOR, CDOR, or bankers' acceptance rate plus a spread. The credit facilities have a maturity date of June 28, 2024. As at December 31, 2021, $37 million was drawn on the bilateral credit facilities.

In addition, the Company has a 364-day revolving credit facility for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at December 31, 2021, $656 million was drawn.

The facilities require the Company to maintain a minimum net worth covenant. At at December 31, 2021, the Company was in compliance with its financial covenants.

The Company also has a revolving credit facility with Brookfield Asset Management, as described in Note 1(b)(v) that as at December 31, 2021 permitted borrowings of up to $200 million. As at December 31, 2021, there were no amounts drawn on the facility.

NOTE 14. OPERATING EXPENSES

Operating expenses include the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Salaries and benefits expense	**$ 10**	$ 3	$ 3
Professional services	**18**	2	2
Software	**2**	1	1
Sales and capital taxes	**1**	—	—
Licenses and fees	**1**	—	—
Other	**3**	—	—
Total operating expenses	**$ 35**	$ 6	$ 6

NOTE 15. INCOME TAXES

Income taxes are recognized for the amount of taxes payable by the Company's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The Company's income tax expense is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Current tax:			
Current tax on profits for the year	**$ —**	$ 1	$ —
Adjustments in respect of prior years	**—**	—	$ —
Total current tax expenses	**—**	1	—
Deferred tax:			
Origination and reversal of temporary differences	**2**	—	—
Total deferred tax expenses	**2**	—	—
Total income tax expense	**$ 2**	$ 1	**$ —**

The below reconciliation has been prepared using a statutory income tax rate for jurisdictions where the Company's subsidiaries operate.

The Company's income tax expense is reconciled as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income before income tax	**$ (42)**	$ 2	$ 6
Income tax at statutory tax rate	**(11)**	1	2
Tax effect of:			
International operations subject to different tax rates	**13**	—	—
Derecognition (Recognition) of deferred tax assets	**—**	—	(2)
Total income tax expense	**$ 2**	$ 1	$ —

The Company's effective tax rate is different from the Company's statutory income tax rate due to the following differences set out below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Statutory income tax rate	**26.5%**	26.5%	26.5%
Increase (reduction) in rate resulting from:			
International operations subject to different tax rates	**(30.9)%**	15.9 %	— %
Derecognition (recognition) of deferred tax assets	**— %**	— %	(24.7)%
Other	**— %**	(13.0)%	0.7 %
Effective income tax rate	**(4.4)%**	29.4 %	2.5 %

The gross movement on the deferred tax asset is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020
Deferred tax asset, beginning of year	$ —	$ —
Tax booked to income statement	**(2)**	—
Tax booked to balance sheet	**2**	—
Tax booked to equity	**20**	—
Deferred tax assets, end of year	**$ 20**	**$ —**

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Non-capital loss carryforwards	**$ 18**	$ —
Tax credit carryforwards	**2**	—
Deferred tax asset	**$ 20**	**$ —**

Deferred tax asset recognized relates to non-temporary differences relating to non-capital loss carryforwards and tax credit carryforwards. The Company evaluates the deferred tax asset based on, amongst other factors, historical operating results, expectation of future profitability, and the duration of the applicable statutory carryforward periods for tax attributes. Based on the evaluation of the deferred tax assets as of December 31, 2021, the Company determined that the deferred tax assets would be realized within the applicable statutory carryforward period.

NOTE 16. EARNINGS PER SHARE

Basic and diluted earnings per class C share for the year ended December 31, 2021 have been calculated using the weighted average number of class C shares outstanding of 19,903,823, and represent the class C shares outstanding for the period of June 28, 2021 to December 31, 2021.

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS		2021
Net loss for the year	$	(44)
Attributable to:		
Brookfield Asset Management Inc.		5
Class A exchangeable and Class B shareholders		3
Class C shareholders		(52)
Earnings per share per class C share - basic and diluted	**$**	**(2.58)**

NOTE 17. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties.

a) Spin-off related transactions

On April 13, 2021 Brookfield US Holdings Inc. ("BUSHI"), a wholly-owned-subsidiary of Brookfield Asset Management, loaned $10 million to BAM Re Holdings as a non-interest bearing USD denominated demand note. The amount was fully repaid upon completion of the spin-off.

On June 18, 2021, Burgundy Acquisitions I Ltd. (“Burgundy”), a wholly-owned subsidiary of Brookfield Asset Management, sold its 9.1 million common shares of AEL Holdings to NER SPC for fair market value of $291 million.

On June 18, 2021, Brookfield Annuity Holdings Inc. (“BAH”) sold its ordinary shares of NER SPC to BAM Re Holdings for fair market value consideration of $5 million. The transaction represents a common control transaction and is recorded at NER SPC’s historical carrying value, net of amounts due to related parties, of $5 million. Subsequently, BAH declared and executed a $5 million return of capital on its common shares to Brookfield Asset Management.

On June 18, 2021, BAM Re loaned $25 million to Brookfield International Holdings Inc. (“BIHI”), a wholly-owned subsidiary of Brookfield Asset Management, in exchange for the issuance by BIHI of a demand note in the amount of $25 million.

On June 18, 2021, Brookfield Asset Management advanced cash of $30 million via a non-interest bearing, USD denominated promissory note to the Company. This amount was fully repaid with proceeds of the Spin-off.

On June 24, 2021, Brookfield Asset Management transferred $151 million to the Company in exchange for 3,582,510 BAM Re Class C Non-Voting Shares.

On June 24, 2021, the Company acquired all of the issued and outstanding shares of BAH from its sole shareholder, Brookfield Asset Management, for total consideration of $111 million. The transaction represents a common control transaction and is recorded at BAH’s historical carrying value, net of amounts due to related parties, of $110 million.

On June 24, 2021, Brookfield Asset Management sold its limited partnership and general partnership interest in Brookfield Reinsurance Investments L.P. (“BRILP”) to BAM Re Holdings for cash consideration of $40 million. The transaction represents a common control transaction and is recorded at BRILP’s historical carrying value, net of amounts due to related parties, of $43 million.

b) BAM Re agreements

As described in Note 1(b)(iv), Brookfield Asset Management provided to the Company an equity commitment in the amount of $2 billion to fund future growth, which the Company may draw on from time to time. As of December 31, 2021, there was no amount drawn under the equity commitment.

As described in Note 1(b)(v), as of December 31, 2021, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

As described in Note 1(b)(vi), the Company entered into the Support Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil .

As described in Note 1(b)(vii), the Company entered into the Rights Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil .

As described in Note 1(b)(viii), the Company entered into the Administration Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $0.4 million.

As described in Note 1(b)(ix), the Company entered into an Investment Management Agreement with Brookfield Asset Management on June 28, 2021. The base investment management fee for the year ended December 31, 2021 was $4.1 million.

As described in Note 1(b)(x), the Company entered into the Brookfield Licensing Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil.

c) Other related party transactions

On March 10, 2020, BAC entered into a lease arrangement with Brookfield Properties (Canada) Inc. (“BPO”), a related party of Brookfield Asset Management. The lease arrangement was conducted in the normal course of operations and on market terms. The amount paid to BPO for the leased office facilities and building maintenance for the year ended December 31, 2021 totaled $0.4 million (December 31, 2020 - $0.2 million). As at December 31, 2021, lease liabilities relating to this arrangement were $1 million.

BAC entered into outsourcing arrangements with Brookfield Asset Management related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to Brookfield Asset Management for these services for the year ended December 31, 2021 totaled $0.3 million (December 31, 2020 – $0.4 million). Amounts due to Brookfield Asset Management related to outsourcing arrangements at December 31, 2021 totaled $0.5 million (2020 – $Nil).

During the year, BAC issued group annuity policies of $5 million with certain of Brookfield Asset Management's subsidiaries and collected all the premiums. Premiums, gross benefits and insurance contract liabilities with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

On March 29, 2021, the Company’s parent, BAM, transferred $79 million of deductions related to Part VI.1 tax at a cost of $0.99 per $1.00 of tax savings. The total value of tax deductions acquired was $20 million dollars. In exchange, the Company paid cash of $20 million.

During the year, subsidiaries of the Company purchased investments of $0.9 billion from Brookfield Asset Management and its subsidiaries, from which net investment income of $5 million was recognized in the Combined Consolidated Statements of Operations. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

On October 8, 2021, BIHI provided a $377 million interest-bearing loan to NER SPC. NER SPC used the loan to finance the excess reserve capital associated with the reinsurance transaction that closed in October. The loan is expected to be repaid with third-party financing arrangements within the next year.

The Company had $64 million of cash on deposit with wholly-owned subsidiaries of Brookfield Asset Management as at December 31, 2021. During the year, the Company drew on approximately $742 million of the deposit to fund new reinsurance and PRT transactions, as well as various investments.

NOTE 18. SEGMENT REPORTING

Effective in the fourth quarter of 2021, the Company's operations are organized into two operating segments: Reinsurance and PRT. These segments are regularly reviewed by the CODM for the purpose of allocating resources to the segment and to assess its performance. Prior to this, operations were attributable to one segment: Insurance. During the fourth quarter, management entered into significant reinsurance arrangements and thus, reporting to the CODM was changed. The prior year results have been restated to reflect this change.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("Distributable Operating Earnings", or "DOE").

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, income taxes, income from equity accounted investments, mark-to-market on hedging items, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. DOE allows the CODM to evaluate the Company’s segments on the basis of return on invested capital generated by its operations and allows the Company to evaluate the performance of its segments

The tables below provide each segment’s results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE YEAR ENDED DEC. 31, 2021 US$ MILLIONS	Reinsurance[1]	Pension Risk Transfer[2]	Total
Net premiums	$ 6,190	$ 1,016	**$ 7,206**
Interest revenue	2	55	**57**
Other net investment income, including funds withheld	125	(56)	**69**
Segment revenues	6,317	1,015	**7,332**
Proportionate share of equity accounted investment adjusted earnings	8	—	**8**
Benefits paid on insurance contracts, net	(220)	(72)	**(292)**
Changes in insurance reserves, net	(6,060)	(920)	**(6,980)**
Other reinsurance expenses	(19)	—	**(19)**
Operating expenses excluding transactions costs	(6)	(12)	**(18)**
Interest expense	(7)	—	**(7)**
Segment DOE	**13**	**11**	**24**
Corporate expenses			**(8)**
Income tax expense			**(2)**
Transaction costs			**(8)**
Net hedging expenses			**(59)**
Other activities			**9**
Net loss			**$ (44)**

1. Net premiums in our Reinsurance segment are attributed to insurance contracts assumed from other companies.
2. Net premiums in our PRT segment include $1 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer[1]	Total
Net premiums	$ —	$ 430	**$ 430**
Interest revenue		30	**30**
Other net investment income, including funds withheld	—	54	**54**
Segment revenues	—	514	**514**
Benefits paid on insurance contracts, net	—	(39)	**(39)**
Changes in insurance reserves, net	—	(468)	**(468)**
Other reinsurance expenses	—	—	**—**
Operating expenses excluding transactions costs	—	(6)	**(6)**
Segment DOE			**1**
Net income			**$ 1**

1. Net premiums in our PRT segment include $1 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31, 2019 US$ MILLIONS	Reinsurance	Pension Risk Transfer[1]	Total
Net premiums	$ —	$ 325	**$ 325**
Interest revenue		20	**20**
Other net investment income, including funds withheld	—	37	**37**
Segment revenues	—	382	**382**
Benefits paid on insurance contracts, net	—	(25)	**(25)**
Changes in insurance reserves, net	—	(345)	**(345)**
Operating expenses excluding transactions costs	—	(6)	**(6)**
Segment DOE			**6**
Net income			**$ 6**

1. Net premiums in our PRT segment include $179 million of insurance contracts ceded to other counterparties.

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers.

Our PRT business is focused on the transfer of pension plan liabilities from corporate sponsors, and all premium revenues recorded for the years ended December 31, 2021, 2020 and 2019 were from Canadian counterparties.

Total premium revenues recorded within our Reinsurance segment for the year ended December 31, 2021 were from transactions with two United States ceding companies and represented 63% and 22% of total premium revenues, respectively.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT DEC. 31, 2021 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets, excluding equity accounted investments	$ 7,577	$ 2,473	$ 1,099	**$ 11,149**
Equity accounted investments	344	—	—	**344**
Liabilities	6,803	2,269	986	**10,058**
Common equity	1,118	204	113	**1,435**

AS AT DEC. 31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets, excluding equity accounted investments	$ —	$ 1,440	$ —	**$ 1,440**
Equity accounted investments	—	—	—	**—**
Liabilities	—	1,357	—	**1,357**
Common equity	—	83	—	**83**

AS AT DEC. 31, 2019 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets, excluding equity accounted investments	$ —	$ 927	$ —	**$ 927**
Equity accounted investments	—	—	—	**—**
Liabilities	—	861	—	**861**
Common equity	—	66	—	**66**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

The geography of the Company's non-current assets are broken down as follows:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020	2019
United States of America	**$ 1,121**	$ —	$ —
Canada	**3**	2	—
Cayman Islands	**1**	—	—
Bermuda	**1**	—	—
Total non-current assets	**$ 1,126**	$ 2	**$ —**

NOTE 19. FINANCIAL COMMITMENT

As at December 31, 2021, subsidiaries of the Company had loan commitment agreements with third parties to the maximum of $463 million exclusive of taxes and other operating expenses (2020 - $15 million). As at December 31, 2021, $81 million was loaned (2020 - $10 million). The amount were recognized as loans and receivables and unrated bonds.

As at December 31, 2021, BAC had undiscounted lease liabilities of $1 million which are within one to three years.

NOTE 20. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company's risk appetite and Own Risk and Solvency Assessment ("ORSA"). Furthermore, stress techniques that include the Financial Conditions Testing ("FCT") are used to evaluate the Company's capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test ("LICAT") as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC is required to follow Risk Based Capital ("RBC") requirements based on guidelines of the National Association of Insurance Commissioners ("NAIC"). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority ("BMA"). The Enhanced Capital Requirement ("ECR") is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The Company has determined that it is in compliance with all the capital requirements as at December 31, 2021 and December 31, 2020.

NOTE 21. SUPPLEMENTARY INSURANCE INFORMATION

The following table presents supplementary information for our two reportable segments:

Reinsurance

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Insurance reserves	**$ 6,254**	$ —	$ —
Deferred acquisition costs	**776**	—	—
Net investment income on reserve assets	**47**	—	—
Benefit expenses	**220**	—	—
Gross premiums	**6,190**	—	—
Amortization of deferred acquisition costs and other	**1**	—	—

Pension Risk Transfer

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Insurance reserves	**$ 2,243**	$ 1,339	$ 856
Reinsurance assets	**169**	190	197
Net investment income on reserve assets	**(3)**	82	56
Benefit expenses	**90**	63	39
Benefit expenses ceded	**(18)**	(25)	(14)
Gross premiums	**1,017**	431	504
Ceded premiums	**(1)**	(1)	(179)

NOTE 22. SUBSEQUENT EVENTS

On January 7, 2022, the Company announced that it has purchased an additional 6,775,000 shares of common stock of AEL Holdings, bringing its total combined equity interest in AEL Holdings to approximately 16%. The Company acquired the additional shares issued from treasury at a price of $37.33 per share, being AEL Holdings's adjusted book value as of September 30, 2021, for total consideration of approximately $253 million.

On March 9, 2022, the Company's credit agreement with Brookfield Asset Management was increased to $400 million. As at the date of these financial statements, there were no amounts drawn on the credit facility

COMBINED CONDENSED FINANCIAL STATEMENTS OF
BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

(PARENT COMPANY)

All operating activities of Brookfield Asset Management Reinsurance Partners Ltd. (the “Parent Company”) are conducted by its operating subsidiaries, Brookfield Annuity Company (“BAC”), North End Re Ltd. ("NER Ltd.") and North End Re (Cayman) SPC (“NER SPC”). The Parent Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. (“BAM Re Holdings”), which holds the Parent Company’s interest in its operating subsidiaries. The Parent Company is a holding company that does not conduct any substantive business operations and does not have any assets other than cash and cash equivalents and investments in its subsidiaries. The operating subsidiaries are regulated insurance companies and therefore have restrictions on the ability to pay dividends, loan funds and make other upstream distributions to the Parent Company without prior approval by local regulators.

These Combined Condensed Parent Company financial statements have been prepared using the same accounting principles and policies described in the notes to the Combined Consolidated Financial Statements. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these combined condensed financial statements.

PARENT COMPANY INFORMATION

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT DEC.31 US$ MILLIONS	2021	2020
Assets		
Cash and cash equivalents	**$ 25**	$ —
Investments in subsidiaries	**1,415**	83
Total assets	**$ 1,440**	$ 83
Liability		
Accounts payable and accrued liabilities	**$ 1**	$ —
Due to related party	**4**	—
Total liabilities	**5**	—
Equity		
Share capital	**1,499**	78
Accumulated (deficit) surplus	**(48)**	1
Accumulated other comprehensive (loss) income	**(16)**	4
Total equity	**1,435**	83
Total liabilities and equity	**$ 1,440**	$ 83

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

PARENT COMPANY INFORMATION

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2021**	2020	2019
(Loss) income of equity method investments	**$ (41)**	$ 1	$ 6
Operating expenses	**(3)**	—	—
Net (loss) income	**$ (44)**	$ 1	$ 6

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

PARENT COMPANY INFORMATION

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income	**$ (44)**	$ 1	$ 6
Other comprehensive (loss) income	**(15)**	3	3
Comprehensive (loss) income	**$ (59)**	$ 4	$ 9

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

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (loss)	Total
Balance as at January 1, 2021	$ 78	$ 1	$ 4	$ 83
Net income (loss)	—	(44)	—	(44)
Other comprehensive income (loss)	—	—	(15)	(15)
Comprehensive income (loss)	—	(44)	(15)	(59)
Equity issuances	1,424	—	—	1,424
Return of capital	(3)	—	—	(3)
Common control transaction adjustment	—	(5)	(5)	(10)
Balance as at December 31, 2021	**$ 1,499**	**$ (48)**	**$ (16)**	**$ 1,435**
Balance as at January 1, 2020	$ 65	$ —	$ 1	$ 66
Net income (loss)	—	1	—	1
Other comprehensive income (loss)	—	—	3	3
Comprehensive income (loss)	—	1	3	4
Equity issuances	13	—	—	13
Balance as at December 31, 2020	**$ 78**	**$ 1**	**$ 4**	**$ 83**
Balance as at January 1, 2019	$ 60	$ (6)	$ (2)	$ 52
Net income (loss)	—	6	—	6
Other comprehensive income (loss)	—	—	3	3
Comprehensive income (loss)	—	6	3	9
Equity issuances	5	—	—	5
Balance as at December 31, 2019	**$ 65**	**$ —**	**$ 1**	**$ 66**

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

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Operating activities			
Net (loss) income	**$ (44)**	$ 1	$ 6
Non-cash items affecting net income			
Equity in undistributed earnings of subsidiaries	**41**	(1)	(6)
Changes in non-cash balances related to operations			
Changes in working capital	**5**	—	—
Cash from operating activities	**2**	—	—
Investing activities			
Investments in shares of subsidiaries	**(1,475)**	(13)	(5)
Cash used in investing activities	**(1,475)**	(13)	(5)
Financing activities			
Issuance of equity	**1,501**	13	5
Return of capital	**(3)**	—	—
Cash from financing activities	**1,498**	13	5
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**—**	—	—
Net change during the year	**25**	—	—
Cash and cash equivalents, end of year	**$ 25**	$ —	$ —

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

PARENT COMPANY INFORMATION

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.

SCHEDULE I – NOTES TO THE COMBINED CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Brookfield Asset Management Reinsurance Partners Ltd. (the “Parent Company”) is a holding company that conducts all of its business operations through its subsidiaries. The Parent Company holds a direct 100% ownership interest in BAM Re Holdings Ltd., which holds the Parent Company’s interest in its operating subsidiaries, Brookfield Annuity Company (“BAC”), North End Re Ltd. ("NER Ltd.") and North End Re (Cayman) SPC (“NER SPC”).

The Parent Company is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Parent Company was established to become a reinsurance business focused on providing capital-based solutions to insurance companies and their stakeholders, and through its operating subsidiaries, acts as a direct issuer of pension risk transfer products for pension plan sponsors and provides annuity-based reinsurance products to insurance and reinsurance companies.

The Parent Company has accounted for the earnings of its subsidiaries under the equity method in these unconsolidated combined condensed financial statements.

The comparatives reflect the financial information of Brookfield Annuity Holdings Inc. (“BAH”), the predecessor of our Parent Company for financial reporting purposes, as at December 31, 2020 and for the years ended December 31, 2020 and 2019.

No dividends have been received from any of our subsidiaries in the past three years.

NOTE 2. COMMITMENTS AND CONTINGENCIES

The Parent Company has guaranteed the borrowings on the revolving bi-lateral credit facilities entered into by its subsidiaries. The total revolving credit facilities size is $150 million, and as at December 31, 2021, the subsidiaries had drawn $37 million. The Parent Company has no other material commitments or contingencies during the reported periods.

EXHIBIT 11(c)

Audited Consolidated Financial Statements of Brookfield Annuity Holdings Inc., as the predecessor of Brookfield Reinsurance for financial reporting purposes, as at December 31, 2020 and 2019, and for the Years-Ended December 31, 2020, 2019 and 2018

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC. AS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019 AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Annuity Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Brookfield Annuity Holdings Inc. and subsidiaries (the "Company") as at December 31, 2020 and 2019, and the related consolidated statements of operating results, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule of the Condensed Financial Statements of Brookfield Annuity Holdings Inc. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 5, 2021

We have served as the Company's auditor since 2016.

Table of Contents

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

US$ THOUSANDS	Note	Dec. 31, 2020	Dec. 31, 2019
Assets			
Cash and cash equivalents	5	**$ 35,461**	$ 13,361
Investments	5	**1,192,465**	701,538
Accrued investment income		**7,061**	4,130
Reinsurance receivable	3	**2,310**	5,481
Other assets	4	**3,846**	2,377
Deferred tax asset	14	**44**	—
Derivative assets	5	**7,199**	2,344
Property and equipment	6	**1,799**	316
Reinsurance assets	9	**190,070**	197,164
Total assets		**$ 1,440,255**	$ 926,711
Liabilities			
Insurance contract liabilities	9	**1,338,730**	856,364
Due to related party	7	**4**	28
Reinsurance payable	3	**410**	480
Derivative liabilities	5	**122**	661
Current tax liability	14	**676**	172
Accounts payable and accrued liabilities	8	**4,771**	3,550
Funds withheld liabilities	5	**12,379**	—
Total liabilities		**1,357,092**	861,255
Shareholder's equity			
Share capital	12	**77,976**	64,612
Accumulated surplus		**1,646**	38
Accumulated other comprehensive income		**3,541**	806
Total equity		**83,163**	65,456
Total liabilities and equity		**$ 1,440,255**	$ 926,711

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATING RESULTS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	Note	2020	2019	2018
Premiums				
Gross		**$431,070**	$ 503,688	$160,146
Ceded		**(634)**	(178,579)	—
Net premiums		**430,436**	325,109	160,146
Net investment income	5	**83,918**	57,097	741
Net investment results from funds withheld	5	**(117)**	—	—
Total revenues		**514,237**	382,206	160,887
Benefits paid on insurance contracts				
Gross		**63,349**	38,645	13,408
Ceded		**(24,569)**	(13,502)	—
Change in insurance contract liabilities	9			
Gross		**457,114**	537,809	142,904
Ceded		**10,496**	(193,033)	—
Operating expenses	13	**5,605**	6,436	4,971
Interest expense		**93**	166	111
Total benefits and expenses		**512,088**	376,521	161,394
Net income (loss) before income taxes		**2,149**	5,685	(507)
Income tax expense	14	**(541)**	(158)	—
Net income (loss) for the year		**$ 1,608**	$ 5,527	$ (507)
Net income (loss) per share	12	**$ 18.92**	$ 67.72	$ (7.20)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Net income (loss)	**$1,608**	$5,527	$ (507)
Other comprehensive income (loss) that will be reclassified to net income (loss)			
Net unrealized income (loss) on available for sale securities	**938**	381	(103)
Income tax expense	**(237)**	(11)	—
Foreign exchange gain (loss)	**2,034**	2,876	(3,126)
Total other comprehensive income (loss)	**2,735**	3,246	(3,229)
Comprehensive income (loss) for the year	**$4,343**	$8,773	$(3,736)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE YEAR ENDED DEC. 31, 2020 US$ THOUSANDS	Common Shares	Accumulated surplus (deficit)	Accumulated other comprehensive income (loss)	Total Equity
Balance as at December 31, 2019	$64,612	$ 38	$ 806	$65,456
Changes in period:				
Net income (loss)	—	1,608	—	1,608
Other comprehensive income (loss)	—	—	2,735	2,735
Comprehensive income (loss)	—	1,608	2,735	4,343
Other items				
Equity issuances	13,364	—	—	13,364
Total change in period	13,364	1,608	2,735	17,707
Balance as at December 31, 2020	**$77,976**	**$ 1,646**	**$ 3,541**	**$83,163**

AS AT AND FOR THE YEAR ENDED DEC. 31, 2019 US$ THOUSANDS	Common Shares	Accumulated surplus (deficit)	Accumulated other comprehensive income (loss)	Total Equity
Balance as at December 31, 2018	$59,890	$ (5,489)	$ (2,440)	$51,961
Changes in period:				
Net income (loss)	—	5,527	—	5,527
Other comprehensive income (loss)	—	—	3,246	3,246
Comprehensive income (loss)	—	5,527	3,246	8,773
Other items				
Equity issuances	4,722	—	—	4,722
Total change in period	4,722	5,527	3,246	13,495
Balance as at December 31, 2019	$64,612	$ 38	$ 806	$65,456

AS AT AND FOR THE YEAR ENDED DEC. 31, 2018 US$ THOUSANDS	Common Shares	Accumulated surplus (deficit)	Accumulated other comprehensive income (loss)	Total Equity
Balance as at January 1, 2018	$53,900	$ (4,982)	$ 789	$49,707
Changes in period:				
Net income (loss)	—	(507)	—	(507)
Other comprehensive income (loss)	—	—	(3,229)	(3,229)
Comprehensive income (loss)	—	(507)	(3,229)	(3,736)
Other items				
Equity issuances	5,990	—	—	5,990
Total change in period	5,990	(507)	(3,229)	2,254
Balance as at December 31, 2018	$59,890	$ (5,489)	$ (2,440)	$51,961

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Operating activities			
Net income (loss)	**$ 1,608**	$ 5,527	$ (507)
Items not involving cash			
Depreciation of property and equipment and right-of-use asset	**446**	217	229
Unrealized (gains) losses on investments and derivatives	**(51,316)**	(27,033)	6,785
Income tax expense	**541**	158	—
Impairment of investments	—	406	—
Non-cash items affecting net income			
Changes in reinsurance assets	**10,496**	(193,033)	—
Changes in insurance contract liabilities	**457,114**	537,809	142,904
Changes in funds withheld	**12,262**	—	—
Changes in working capital	**(814)**	(6,349)	(2,377)
Operating activities affecting cash			
Interest paid	**(53)**	(10)	(15)
Income tax paid	**(331)**	—	—
Realized (gains) losses on investments	**(3,361)**	(9,202)	2,533
Cash from operating activities	**426,592**	308,490	149,552
Investing activities			
Proceeds on disposal of investments	**501,553**	737,237	321,757
Purchase of investments	**(975,573)**	(1,023,002)	(526,857)
Maturities of investments	**62,164**	18,058	6,211
Purchase of property and equipment	**(617)**	(35)	(2)
Cash used in investing activities	**(412,473)**	(267,742)	(198,891)
Financing activities			
Issuance of common shares	**13,364**	4,722	5,990
Credit facility drawdown	**—**	—	27,309
Credit facility repayment	**—**	—	(27,250)
Principal portion of lease liabilities	**(268)**	(144)	(137)
Proceeds from repurchase agreement	**221,820**	245,620	40,546
Repayment of repurchase agreement	**(221,820)**	(284,891)	—
Cash (used in) from financing activities	**13,096**	(34,693)	46,458
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**13,361**	7,745	9,213
Net increase (decrease) during the year	**27,215**	6,055	(2,881)
Foreign exchange on cash balances held in foreign currencies	**(5,115)**	(439)	1,413
Cash and cash equivalents, end of year	**$ 35,461**	$ 13,361	$ 7,745
Supplementary Information			
Cash balances	**$ 16,496**	$ 7,773	$ 1,970
Short term investments	**18,965**	5,588	5,775
Cash and cash equivalents, end of year	**$ 35,461**	$ 13,361	$ 7,745

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Brookfield Annuity Holdings Inc. (the "Company") is a holding company incorporated on August 13, 2015. The registered address of the Company is 333 Bay Street, Suite 1200, Toronto, Ontario, M5H 2R2, Canada. The Company is domiciled in Canada and wholly owns Brookfield Annuity Company ("BAC"), Brookfield Annuity US Inc., North End Re (Bermuda) Ltd. ("NER Ltd."), and North End Re (Cayman) SPC ("NER SPC"). BAC is a life insurance company incorporated under the Insurance Companies Act of Canada (the "Act") on August 11, 2016.

BAC received its order to commence business from the Office of the Superintendent of Financial Institutions ("OSFI") on October 3, 2016 and has obtained its licenses in all provinces of Canada. BAC provides pension de-risking solutions through group annuity policies.

NER Ltd. was incorporated on July 13, 2018 in Bermuda under the Bermuda Companies Act 1981. Under the provisions of Section 14, the status of NER Ltd. is that of an exempted company within the meaning of Section 127. NER Ltd. is currently in the process of obtaining a license to conduct commercial long-term life and annuity reinsurance business with third party direct insurers.

NER SPC was incorporated on April 17, 2019 under the laws of the Cayman Islands. NER SPC is approved as a Class B (iii) insurer under the Cayman Islands' Insurance Act, 2010 (as amended). NER SPC is licensed to conduct commercial long-term life and annuity reinsurance business with third-party direct insurers.

The Company is a wholly-owned subsidiary of Brookfield Asset Management Inc. ("BAM"). The Company will enter into a series of transactions with BAM, whereby BAM will contribute all of the net assets and operations of the Company into a newly formed entity, Brookfield Asset Management Reinsurance Partners Ltd. ("BAM Re"). BAM Re was incorporated on December 10, 2020, and is a wholly owned subsidiary of BAM. Subsequent to BAM contributing the net assets of the Company into BAM Re, BAM will distribute the shares of BAM Re on a pro rata basis to BAM's shareholders and BAM Re will become a stand-alone public company. The Company is the predecessor of BAM Re.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on March 5, 2021.

b. Basis of presentation

The consolidated financial statements are comprised of the financial results of the Company and its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The assets and liabilities in the consolidated financial statements have been presented on a historical cost basis, as immediately prior to the spin-off, all the assets and liabilities presented are wholly owned by BAM. The consolidated financial statements represent the assets, liabilities, revenues, expenses, and cash flows of the business that will be contributed to BAM Re. The Company maintains its own independent management and infrastructure and does not rely on any resources from BAM. As a result, no corporate costs have been allocated to the Company.

In accordance with IFRS, presentation of assets and liabilities on the Consolidated Statement of Financial Position is in order of liquidity.

The Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocation of resource and assessing performance. The Company's CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the Company which is currently managed as a single segment; pension risk transfer. All of the Company's revenue for the years ended December 31, 2020, 2019 and 2018 was generated from the pension risk transfer operating segment and was earned in Canada. All of the long-lived assets of the Company were included in the pension risk transfer operating segment and reside in Canada.

c. Accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of reinsurance assets, insurance contract liabilities, and impairment of financial instruments. Actual results may differ from our estimates thereby impacting the consolidated financial statements. Information on our use of estimates and assumptions is discussed in Note 2(d).

Management judgment is also used in applying the accounting policies used to prepare financial statements. The item most susceptible to changes in judgements is the evaluation of indicators of impairment of our investments.

d. Significant accounting policies

The significant accounting policies used in preparing these consolidated financial statements are summarized below.

Effective January 1, 2020, the Company changed its accounting policy for longevity reinsurance transactions such that the fixed payments made by the Company to the reinsurer relating to defined blocks of policyholder benefits (the "fixed leg") are recognized on a net basis with payments received from the reinsurer (the "variable leg") within benefits ceded in the Consolidated Statements of Operating Results. Previously, the Company's policy was to record the fixed leg in premiums ceded and the variable leg in benefits ceded on a gross basis. IFRS 4, Insurance Contracts ("IFRS 4") does not specify the presentation for this type of arrangement and the Company believes that the revised policy and presentation provides more reliable and relevant information to users of the consolidated financial statements as the presentation more clearly aligns the cashflows between the Company and the reinsurer, as contractual terms require settlement of the amounts on a net basis and as both the fixed and variable legs relate to the payment of benefits to the annuitant. The change in accounting policy has been applied retrospectively. The Company has restated the comparative figures in the Consolidated Statements of Operating Results resulting in a reduction to both premiums ceded and benefits ceded in the amount of $9,963 thousand for the year ended December 31, 2019. There is no impact on net income, net income per share or shareholder's equity in the current or any prior year.

i. Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. The Company has classified cash and cash equivalents as fair value through profit or loss ("FVTPL") if the asset supports insurance contract liabilities or available for sale ("AFS") if the asset supports capital and surplus.

Cash and cash equivalents include cash balances and short-term investments that are not available for use by the Company as part of the funds withheld ("FWH") arrangement (Note 2(d)(iii)).

ii. Investments

Investments are financial assets which are comprised of bonds and fixed-income instruments. The Company uses the trade date to account for investment transactions.

Financial assets are classified into one of the following categories:

- AFS assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- FVTPL assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. Financial assets supporting capital and surplus are classified as AFS and are measured at fair value. Unrealized gains (losses) are recognized in other comprehensive income (loss). Upon realization, gains or losses are reclassified to the Consolidated Statements of Operating Results and recorded in Net investment income.

Financial assets supporting insurance contract liabilities are designated as FVTPL or as loans and receivables. Any changes in the fair value of the underlying assets matched to the insurance contract liabilities are directly reflected in the insurance contract liabilities. Unless the asset is deemed to be impaired, changes in fair value of assets matching these liabilities and changes in the corresponding insurance contract liabilities are directly recognized in the Consolidated Statements of Operating Results in order to avoid a mismatch that would otherwise arise.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income (loss) and presented in realized gains (losses) on investments.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

iii. Funds withheld

Funds withheld ("FWH") represents a payable for amounts contractually withheld by the Company in accordance with reinsurance agreements where the Company acts as cedant. In 2020 the Company entered into a FWH arrangement with a third-party reinsurer. Under the FWH arrangement, the Company retained funds of the reinsurer. While the assets in the FWH are legally owned by the Company, the reinsurer is subject to all investment performance and economic rights and obligations to the FWH assets similar to invested assets held directly by the reinsurer. The Company's FWH balance includes cash and cash equivalents, investments, and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

iv. Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, bond forwards and interest rate swaps. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in fair value of derivatives are recorded in Net investment income, in the Consolidated Statement of Operations.

v. Assets Pledged as Collateral

The Company receives and pledges collateral in respect of certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Consolidated Statement of Financial Position as the Company retains all rights related to these assets.

Collateral received is not recognized in the Consolidated Statement of Financial Position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

vi. Collateralized Financing Transactions

Securities sold under agreements to repurchase ("repurchase agreements") are collateralized financing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at cost plus accrued interest.

The Company recognizes an asset in the Consolidated Statement of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Consolidated Statement of Financial Position.

vii. Right to Offset

Amounts presented in these consolidated financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

viii. Impairment

At each reporting date, financial assets are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. Evidence of impairment must be objective. For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer's financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Consolidated Statement of Operations.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not have been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Consolidated Statement of Operations.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

ix. Classification of Financial Instruments

Accrued investment income, reinsurance receivable and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, and accounts payable and accrued liabilities have been classified as other financial liabilities. Loans and receivables and other liabilities are measured at amortized cost. For these items, carrying value approximates fair value due to their short-term nature.

x. Leases

IFRS 16 Leases ("IFRS 16") specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the Company will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

As of December 31, 2020, the Company has one lease. The Company leases an office suite for its own use. As of December 31, 2020, the lease has a remaining term of 4.5 years.

The ROU is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the Company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the Company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the Company's estimate of the amount expected to be payable.

xi. Insurance contract liabilities

Liabilities for insurance contracts are determined using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4 Insurance Contracts ("IFRS 4").

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 on the Consolidated Statement of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

Insurance contract liabilities represent the amount required to provide for future benefits payments and administrative expenses on policies in force with the Company. Insurance contract liabilities are presented gross of reinsurance assets on the Consolidated Statement of Financial Position. The Company's Appointed Actuary is responsible for determining the amount of insurance contract liabilities in accordance with standards established by the CIA. Insurance contract liabilities have been determined using CALM as permitted by IFRS 4. It is used to determine insurance contract liabilities and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The Company has designated invested assets supporting insurance contract liabilities as FVTPL or as loans and receivables. Since the value of the insurance contract liabilities is determined by reference to the assets supporting those liabilities, changes in the insurance contract liabilities offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

xii. Reinsurance

BAC, in the normal course of business, is also a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured. At each reporting date, the reinsurance asset and reinsurance receivable, if any, are tested for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

Longevity reinsurance

BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, BAC commits to pay the reinsurers a schedule of fixed payments relating to defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Consolidated Statement of Operations. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Consolidated Statement of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Consolidated Statement of Operations.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Consolidated Statement of Financial Position and change in insurance contract liabilities ceded on the Consolidated Statement of Operating Results.

Quota share reinsurance

BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of business. At the inception of each quota share reinsurance contract, Premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC recognizes a reinsurance asset on the Consolidated Statement of Financial Position and change in insurance contract liabilities ceded on the Consolidated Statement of Operating Results. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by OSFI. The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are tested for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds recoverable amount.

xiii. Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance contract liabilities are computed, with the result that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

xiv. Benefits paid

Gross benefits and benefits ceded are recorded in the Consolidated Statement of Operations when they are due and incurred.

xv. Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on FVTPL investments measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

xvi. Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the Company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

xvii. Foreign currencies

The Company's functional currency is CAD. The Company's consolidated financial statements are presented in USD as the functional currency of BAM Re is USD. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income.

For purposes of presenting the consolidated financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the period. Gains or losses on translation of these items are included in other comprehensive income.

xviii. Future accounting policy changes

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB proposed an amendment to IFRS 17 providing a one-year deferral on the effective date of the standard to January 1, 2023. In addition, the IASB extended the exemption for insurers to apply IFRS 9 Financial Instruments ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date. OSFI expects life insurers to adopt IFRS 9 and IFRS 17 simultaneously for periods beginning on or after January 1, 2023.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statement of Operations. The Company continues to assess the impact for IFRS 17, which is expected to be significant on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As at December 31, 2020 and December 31, 2019 and for the years ended December 31, 2020, 2019 and 2018

IFRS 9 Financial Instruments

In July 2014, the IASB published the complete version of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018, with retrospective application and replaces IAS 39. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance.

The Company has deferred the implementation of IFRS 9 until IFRS 17 is adopted on January 1, 2023 on the basis that the Company's activities are predominantly connected with insurance, with insurance contract liabilities making up over 99% of the Company's Total liabilities.

The disclosure for the measurement and classification of the Company's investments provides most of the information required by IFRS 9.The Company is currently assessing the impact of implementing IFRS 9 on its consolidated financial statements.

NOTE 3. REINSURANCE RECEIVABLE / PAYABLE

In 2020 and 2019, reinsurance receivable and payable relate to amounts recoverable from or payable to third-party reinsurers. All amounts are expected to be settled within a year.

NOTE 4. OTHER ASSETS

AS AT DEC. 31 US$ THOUSANDS	**2020**	2019
Accounts receivable	**$ 979**	$ 48
Prepaid expenses	**2,867**	2,329
	$3,846	$2,377

Accounts receivable relate to amounts recoverable from third parties. All amounts are expected to be recovered within one year. These financial instruments are short-term in nature and their fair values approximate carrying values. Prepaid expenses relates to benefit payments made to policyholders in advance.

NOTE 5. FINANCIAL INSTRUMENTS

a. Designation

Assets supporting insurance contract liabilities are designated as FVTPL or amortized cost. Assets supporting capital and surplus are classified as AFS. Assets with fixed or determinable payments not quoted in an active market are classified as amortized cost. Derivatives are classified as held for trading and are measured as FVTPL.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

b. Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT DEC. 31 US$ THOUSANDS	2020			
	FVTPL	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ 14,108	$ 2,388	$ —	**$ 16,496**
Cash equivalents	15,903	3,062	—	**18,965**
Total cash and cash equivalents	30,011	5,450	—	**$ 35,461**
Foreign exchange forwards	4,723	—	—	**4,723**
Currency swaps	1	—	—	**1**
Interest rate swaps	34	—	—	**34**
Bond futures	2,441	—	—	**2,441**
Total derivative assets	7,199	—	—	**$ 7,199**
Bond				
Government	372,026	29,023	—	**401,049**
Corporate and other	730,971	36,139	21,159	**788,269**
Total debt securities	1,102,997	65,162	21,159	**1,189,318**
Total preferred shares	—	3,019	—	**3,019**
Total mortgages	—	—	128	**128**
Total investments	1,102,997	68,181	21,287	**1,192,465**
Funds withheld liabilities	(12,379)	—	—	**(12,379)**
Bond futures	(122)	—	—	**(122)**
Total derivative liabilities	(122)	—	—	**(122)**

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As at December 31, 2020 and December 31, 2019 and for the years ended December 31, 2020, 2019 and 2018

The Company has assessed and determined that the fair value of loans and receivables approximates their carrying values.

AS AT DEC. 31 US$ THOUSANDS	2019			
	FVTPL	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ 5,963	$ 1,810	$ —	**$ 7,773**
Cash equivalents	4,896	692	—	**5,588**
Total cash and cash equivalents	10,859	2,502	—	**13,361**
Foreign exchange forwards	2,344	—	—	**2,344**
Total derivative assets	2,344	—	—	**2,344**
Bond				
Government	175,562	25,005	—	**200,567**
Corporate and other	447,168	29,132	21,309	**497,609**
Total debt securities	622,730	54,137	21,309	**698,176**
Total preferred shares	—	2,872	—	**2,872**
Total mortgages	—	—	490	**490**
Total investments	622,730	57,009	21,799	**701,538**
Bond futures	(661)	—	—	**(661)**
Total derivative liabilities	(661)	—	—	**(661)**

The Company has assessed and determined that the fair value of loans and receivables approximates their carrying values.

c. Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13 Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

Table of Contents

The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy. Also included are financial assets and financial liabilities that are measured at amortized cost.

AS AT DEC. 31 US$ THOUSANDS	2020 Level 1	 Level 2	 Total
Financial Assets			
Fair value through profit or loss			
Cash	$ 14,108	$ —	**$ 14,108**
Cash equivalents	15,903	—	**15,903**
Bonds	—	1,102,996	**1,102,996**
Derivative assets	2,441	4,758	**7,199**
Available for sale			
Cash	2,388	—	**2,388**
Cash equivalents	3,062	—	**3,062**
Bonds	—	65,162	**65,162**
Preferred Shares	3,019	—	**3,019**
Total financial assets	**$ 40,921**	**$ 1,172,916**	**$ 1,213,837**
Financial Liabilities			
Fair value through profit or loss			
Funds withheld liabilities	—	(12,379)	**$ (12,379)**
Derivative liabilities	—	(122)	**$ (122)**
Total financial liabilities	**$ —**	**$ (12,501)**	**$ (12,501)**

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

AS AT DEC. 31 US$ THOUSANDS	2019		
	Level 1	Level 2	Total
Financial Assets			
Fair value through profit or loss			
Cash	$ 5,963	$ —	**$ 5,963**
Cash equivalents	4,896	—	**4,896**
Bonds	—	622,730	**622,730**
Derivative assets	—	2,344	**2,344**
Available for sale			
Cash	1,810	—	**1,810**
Cash equivalents	692	—	**692**
Bonds	—	54,137	**54,137**
Preferred Shares	2,872	—	**2,872**
Total financial assets	**$16,233**	**$679,211**	**$695,444**
Financial Liabilities			
Fair value through profit or loss			
Derivative liabilities	$ (661)	$ —	**$ (661)**
Total financial liabilities	**$ (661)**	**$ —**	**$ (661)**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset	Valuation Techniques and Key Inputs
Bonds	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Derivative assets/Derivative liabilities	Foreign currency forward contracts — discounted cash flow model — forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Interest rate contracts — discounted cash flow model — forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Investments measured at amortized cost are individually evaluated for impairment in establishing the allowance for impairment. For the year ended December 31, 2020, the Company recorded an impairment expense of $nil (2019 — $406 thousand).

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

There were no transfers between Level 1 and Level 2 and there were no Level 3 investments during or for the years ended December 31, 2020 and 2019.

d. Net investment income

Net investment income is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Interest income			
Cash and cash equivalents	**$ 19**	$ 79	$ 36
FVTPL investments	**28,132**	19,464	9,237
AFS investments	**1,320**	1,365	989
Total interest income	**29,471**	20,908	10,262
Dividend income			
AFS investments	**143**	148	62
Total dividend income	**143**	148	62
Realized gains (losses) on investments and derivatives			
FVTPL investments	**3,019**	9,351	(1,418)
Derivatives	**109**	(85)	(1,005)
Gain on derecognition of financial assets measured at amortized cost	**201**	—	53
AFS investments	**32**	(64)	(163)
Total realized gains (losses) on investments and derivatives	**3,361**	9,202	(2,533)
Unrealized gains (losses) on investments and derivatives			
FVTPL investments	**45,813**	26,021	(7,210)
Derivatives	**5,503**	1,012	425
Total unrealized gains (losses) on investments and derivatives	**51,316**	27,033	(6,785)
Impairment expense	**—**	(406)	—
Investment manager fees	**(576)**	(321)	(265)
Total investment income	**83,715**	56,564	741
Investment upfront fees	**203**	533	—
Net investment income	**$83,918**	$57,097	$ 741

On November 19, 2018, the Company derecognized $4,089.0 thousand of financial assets as the rights to receive cash flows and risks and rewards of ownership have been transferred. The proceeds were $4,141.0 thousand, resulting in a gain of $53.0 thousand.

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

e. Net investment results from funds withheld

Net investment results from FWH assets are attributable to the reinsurer and not included in the Company's net income for the year. Investment results from FWH assets are credited to the FWH liabilities on the Company's Consolidated Statement of Operations and is comprised of the following:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Interest income			
FVTPL investments	(19)	—	—
Total interest income attributable to FWH	(19)	—	—
Realized gains (losses) on investments			
FVTPL investments	(64)	—	—
Total realized gains (losses) on investments attributable to FWH	(64)	—	—
Net gains on FVTPL derivatives attributed to FWH	(34)	—	—
Total other investment income attributed to FWH	(34)	—	—
Net investment results from FWH	**$(117)**	$—	$—

f. Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, bond forwards and interest rate swaps. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments.

Foreign exchange forwards are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default. As at December 31, 2020, the derivative counterparty credit risk was $7.2 million (2019 — $2.3 million) and the counterparties credit rating was A+ or higher (2019 — A+ or higher).

Notional principal and the fair value of derivatives are presented in the table below.

AS AT DEC. 31 US$ THOUSANDS	2020			
	Notional principal	**Fair value assets**	**Fair value liabilities**	**Collateral pledged**
Exchange traded				
Bond futures	$192,099	$ 2,441	$ —	$ 12,639
Over-the-counter				
Foreign exchange forwards	235,070	4,723	(122)	—
Bond forwards	401	1	—	—
Interest rate swaps	6,973	34	—	—
Total	**$434,543**	**$ 7,199**	**$ (122)**	**$ 12,639**

AS AT DEC. 31 US$ THOUSANDS	2019			
	Notional principal	**Fair value assets**	**Fair value liabilities**	**Collateral pledged**
Exchange traded				
Bond futures	$154,441	$ —	$ (661)	$ 5,010
Over-the-counter				
Foreign exchange forwards	125,093	2,344	—	—
Total	**$279,534**	**$ 2,344**	**$ (661)**	**$ 5,010**

The Company monitors the fair values of bond futures and forwards on a daily basis, with additional cash collateral obtained or refunded as necessary.

Bond futures, bond forwards and foreign exchange forward contracts mature in less than two years. Interest rate swaps mature in two years and settle on a semi-annual basis. Derivatives are measured at FVTPL and are reported on the Consolidated Statement of Financial Position as Derivative assets or Derivative liabilities. The fair value of exchange-traded futures contracts is determined based on Level 1 inputs. OTC foreign currency forwards and interest rate swaps are valued on the contract notional amounts, which is the difference between contract and market rates. These inputs are derived from observable market data and as such are classified as Level 2 instruments.

As at December 31, 2020, the Company has pledged $13 million of financial assets as collateral under the terms of the derivative contracts (2019 — $5.0 million).

For an analysis of the Company’s risks arising from financial instruments and the policies and procedures to manage these risks refer to Note 10 Risk Management.

g. Securities Sold under Agreements to Repurchase

Securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at contract price. Under these agreements, the Company may sell securities from its portfolio for periods of time. In exchange, the Company obtains possession of cash from the financial institution with market

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

values equal to the principal amount sold under these agreements. As at December 31, 2020, the Company did not have amounts outstanding under repurchase agreements (2019 — $nil). For the year ended December 31, 2020, interest expense paid related to the use of the repurchase agreements was $45 thousand (2019 — $153 thousand, 2018 — $66 thousand).

The cash received by the Company is equal to the market value of the securities sold on the trade date. As at December 31, 2020 and 2019, all of the Company's repurchase agreements mature within two years.

h. Summary of Investments

The following table summarizes the Company's investments in financial assets:

AS AT DEC. 31 US$ THOUSANDS	2020 Carrying Amount	2020 Percent	2019 Carrying Amount	2019 Percent
Corporate Bonds				
Corporate securities	**$ 764,482**	**64%**	$468,646	67%
Asset backed securities	**23,787**	**2%**	28,963	4%
	788,269	**66%**	497,609	71%
Government Bonds				
United States government	**24,510**	**2%**	16,818	2%
Canada government	**35,395**	**3%**	18,834	3%
Canada provincials	**341,144**	**28%**	164,915	23%
	401,049	**33%**	200,567	28%
Derivatives				
Foreign exchange forwards	**4,723**	**<1%**	2,344	<1%
Bond futures	**2,441**	**<1%**	—	<1%
Other derivatives	**35**	**<1%**	—	<1%
	7,199	**1%**	2,344	1%
Preferred shares				
Canada corporate	**3,019**	**<1%**	2,872	<1%
Mortgages	**128**	**<1%**	490	<1%
Total	**$1,199,664**	**100%**	$703,882	100%

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

NOTE 6. PROPERTY AND EQUIPMENT AND ROU ASSET

The Company's property and equipment and ROU asset consist of the following:

	Computers and office equipment	Furniture and fixtures	Leasehold improvements	Software	ROU Asset	Total
Cost						
As at December 31, 2018	41	82	109	140	476	848
Additions	2	—	26	7	—	35
As at December 31, 2019	$ 43	$ 82	$ 135	$ 147	$ 476	$ 883
Additions, net of disposals	(1)	87	255	65	822	1,228
Foreign currency translations .	2	9	19	6	66	102
As at December 31, 2020	**$ 44**	**$ 178**	**$ 409**	**$ 218**	**$1,364**	**$2,213**
Accumulated depreciation						
As at December 31, 2018	24	54	55	65	166	364
Charges for the year	6	11	22	45	119	203
As at December 31, 2019	$ 30	$ 65	$ 77	$ 110	$ 285	$ 567
Depreciation, net of disposals	8	3	(16)	(57)	(53)	(115)
Foreign currency translations .	1	2	—	—	(41)	(38)
As at December 31, 2020	**$ 39**	**$ 70**	**$ 61**	**$ 53**	**$ 191**	**$ 414**
Carrying amount						
December 31, 2020	**$ 5**	**$ 108**	**$ 348**	**$ 165**	**$1,173**	**$1,799**
December 31, 2019	13	17	58	37	191	316

NOTE 7. RELATED PARTY TRANSACTIONS

On March 10, 2020, the Company entered into a lease arrangement with Brookfield Properties (Canada) Inc. ("BPO"), a related party of BAM. The lease arrangement was conducted in the normal course of operations and on market terms. The amount paid to BPO for the leased office facilities and building maintenance for 2020 totaled $230 thousand (2019 — $Nil).

In May 2020, a loan to Cardone Industries, Inc. was extinguished and replaced with warrants of Cardone Partners, LP. Subsequently, the Company entered into a sale transaction with Brookfield Private Equity Direct Investments Holdings LP ("BPEDIH") relating to its warrants in Cardone Partners, LP. The amount paid by BPEDIH to the Company was $5,965 thousand resulting in a gain of $195 thousand. As at December 31, 2020, all amounts were collected. There were no transactions in 2019 with BPEDIH.

The Company entered into outsourcing arrangements with BAM related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to BAM for these services for the year ended December 31, 2020 totaled $411 thousand (2019 — $355 thousand, 2018 — $315 thousand). Amounts due to BAM related to outsourcing arrangements at December 31, 2020 totaled $nil (2019 — $28 thousand).

The Company entered into derivative arrangements related to foreign exchange forwards and interest rate swaps with third party financial institutions through BAM. Amounts outstanding related to unsettled derivative arrangements at December 31, 2020 totaled $7.2 million (2019 — $2.1 million). The amounts were repaid in full on settlement.

Lastly, the Company has a C$50 million revolving demand credit facility with BAM that matures at the earlier of when repayment is demanded or maturity. The facility is renewed annually for the period of one year. The facility's current maturity is December 2021. The facility is unsecured and bears interest at a money market rate plus a margin. As at December 31, 2020, there were no amounts owing under the facility (2019 — $nil). Interest expense paid in 2020 relating to the use of the credit facility with BAM was $nil (2019 — $nil, 2018 — $31 thousand).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

For the year ended December 31, 2020, short-term employee benefits were paid to key management personnel in the amount of $1.4 million (2019 — $1.3 million, 2018 — $1.3 million).

NOTE 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of the following:

AS AT DEC. 31 US$ THOUSANDS	2020	2019
Premium owing to pension plans	**$1,269**	$1,873
Accrued liabilities	**2,162**	655
Lease liabilities	**1,246**	198
Trade payables	**94**	778
Other	**—**	46
Total accounts payable and accrued liabilities	**$4,771**	**$3,550**

Details relating to the Company's lease liabilities balance, which is reported within Accounts payable and accrued liabilities, is as follows:

AS AT DEC. 31 US$ THOUSANDS	2020	2019
Less than one year	**$ 316**	$144
One to five years	**1,052**	204
Total undiscounted lease liabilities	**$1,368**	**$348**

Interest expense on lease obligations for the year ended December 31, 2020 was $50 thousand (2019 — $10 thousand, 2018 — $15 thousand). Total cash outflow for leases was $316 thousand (2019 — $144 thousand, 2018 — $137 thousand).

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

NOTE 9. INSURANCE CONTRACT LIABILITIES

The Company's insurance contract liabilities are as follows:

AS AT DEC. 31 US$ THOUSANDS	2020	2019
Gross	**$1,338,730**	$ 856,364
Reinsurance	**(190,070)**	(197,164)
Total insurance contract liabilities	**$1,148,660**	$ 659,200

Reinsurance assets reflect immediate and deferred annuity payments ceded under the longevity reinsurance and quota share reinsurance arrangements.

a. Nature and composition

The Company's insurance liabilities represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not reached pensionable age. The Company's insurance contracts are a mixture of group annuity "buy-in" policies, where the policyholder is the pension fund and group annuity "buy-out" policies, where the policyholder is the administrator. The Company provides group annuity policies across Canada.

b. Valuation assumptions

The insurance contract liabilities represent the present value of the future annuity payments and expenses measured according to the CALM described in *Note 2(d) Summary of significant accounting policies, section xi) Insurance contract liabilities*. It incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

The principal valuation assumptions and the methods for arriving at these valuation assumptions are outlined below.

Longevity

Mortality assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors including, but not limited to, gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data comprises of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

Mortality improvement assumptions follow the prescribed mortality improvement scales issued by the CIA.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

Investment returns

Projected cash flows from the current assets and liabilities are used in CALM to determine insurance contract liabilities. Assumptions are made regarding rates of returns on supporting assets. Projected cash flows from assets used in the actuarial calculations are reduced to provide for potential asset default losses. The calculation for future credit losses on assets is based on the credit quality underlying the asset portfolio.

Other assumptions

The internal costs of maintaining the insurance contract liabilities, the fees paid to third-party administrators engaged to manage payments under the in-force policies, and fees due to reinsurers and investment management expenses, as well as inflation are factored into the calculation of liabilities where applicable.

c. Net change in insurance contract liabilities

The following table summarizes the movement of insurance contract liabilities from the beginning of the year by its major components:

FOR THE YEAR ENDED DEC. 31, 2020 US$ THOUSANDS	Gross liability	Reinsurance assets	Net
Beginning of year	$ 856,364	$ 197,164	**$ 659,200**
Changes during the year			
New business	413,716	—	**413,716**
Normal changes	52,673	(8,703)	**61,376**
Management actions and changes in assumptions	(24,195)	(1,792)	**(22,403)**
	442,194	(10,495)	**452,689**
Impact of foreign exchange[1]	40,172	3,401	**36,771**
Balance at end of year	**$ 1,338,730**	**$ 190,070**	**$ 1,148,660**

FOR THE YEAR ENDED DEC. 31, 2019 US$ THOUSANDS	Gross liability	Reinsurance assets	Net
Beginning of year	$292,369	$ —	**$ 292,369**
Changes during the year			
New business	521,537	—	**521,537**
Reinsurance entered into in the year	—	198,670	**(198,670)**
Normal changes	17,583	(9,607)	**27,190**
Management actions and changes in assumptions	(1,311)	3,970	**(5,281)**
	537,809	193,033	**344,776**
Impact of foreign exchange[1]	26,186	4,131	**22,055**
Balance at end of year	**$856,364**	**$ 197,164**	**$ 659,200**

1. Presentation currency translation reported as a separate component of Other comprehensive income. See Note 2d*(xvii) Foreign currencies*.

Under fair value accounting, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal changes above. In 2020, the main contributors to the increase in net insurance contract liabilities were the impact of new business of $414 million and the impact of normal changes of $61 million. Management actions and changes in assumptions lowered the reserves by $22 million. The decrease was primarily due to modelling enhancements related to the reinvestment assumption and asset cash flows.

In 2019, the main contributors to the increase in net insurance contract liabilities were the impact of new business of $521.5 million partially offset by reinsurance transactions of $198.7 million. Management actions and changes in assumptions lowered the reserves by $5.3 million. The decrease was primarily due to updating the expense assumption to reflect the most recent experience analysis, the execution of longevity swaps offset by a revision to the methodology in setting the interest rate risk assumption.

The Company's risks arising from insurance contract liabilities are principally interest rate and longevity. The policies and procedures to manage these risks and sensitivity analysis are described in Note 10 Risk Management.

d. Reinsurance results

For the year ended December 31, 2020, BAC entered into a FWH arrangement with a third-party reinsurer which did not result in after-tax gains on inception. In December 2020, the Company entered into a third-party longevity reinsurance arrangement which resulted in after-tax losses on inception of approximately $1.3 million.

For the year ended December 31, 2019, BAC entered into two longevity reinsurance arrangements which resulted in after-tax gains on inception of approximately $4 million. In 2019, BAC also entered into a quota share reinsurance arrangement which resulted in no after-tax gains on inception recognized by BAC on the ceded portion to the reinsurer.

In 2020, the Company's total fixed and actual payments under longevity reinsurance transactions are $13.8 million and $22.7 million (2019 — $10.0 million and $15.2 million). The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Consolidated Statement of Operations.

Amounts payable relating to reinsurance fees in respect of longevity reinsurance contracts are included in premiums ceded in the Consolidated Statement of Operations:

FOR THE YEAR ENDED	2020	2019
Amounts payable in respect of reinsurance fees	**$481**	$329

NOTE 10. RISK MANAGEMENT

The management of risk is central to the success of the business. The Company seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in business processes.

The Board has overall responsibility for the management of risk and is supported through formal committees of the Board including the Risk Committee.

The Company manages risk by applying the principles and guidelines outlined in the enterprise risk management policy (the "ERM Policy"). The ERM Policy establishes the overall risk management framework that includes the following:

- Risk inventory — identifies and defines the risks arising from the Company's business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;
- Risk appetite — determines the nature and amount of risk the Company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;
- Risk governance — establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the Company; and
- Risk management process — codifies a consistent approach to the identification, assessment, measurement, control, monitoring and reporting of risks faced by the Company.

As part of the risk governance framework, the Company operates a three lines of defense model. Under this model, the accountabilities of each line of defense are:

- First line — business management: day to day responsibility for managing and identifying risks, ensuring activities are within risk appetite and established policies, and designing and implementing effective internal controls;
- Second line — risk management function: establish enterprise governance, risk and control strategies and policies; provide oversight and independent effective challenge to the first line, as well as training, tools and advice; and
- Third line — internal audit: independently verify the adequacy and effectiveness of the first and second lines of defense, and that the enterprise risk management framework is operating effectively.

An Own Risk and Solvency Assessment ("ORSA") is undertaken at least annually. The ORSA involves a comprehensive assessment of the Company's risks, capital needs and solvency position, as well as solvency forecasting across a range of scenarios including plausible stresses that could jeopardize the Company's business plans. The Company also evaluates its exposure to sustained adverse scenarios through other stress testing techniques such as Dynamic Capital Adequacy Testing (the "DCAT"). Effective 2020, the Company adopted the Financial Condition Testing ("FCT"). FCT is a modernization of the DCAT with the objective of providing a more robust approach to satisfying reporting requirements on expected future financial condition as well as for allowing for better alignment with ORSA.

The Company has established recurring routines for monitoring and reporting on risks. Risk management reports are provided to the Management Oversight Committee ("MOC") on a monthly basis and to the Board and Risk Committee on a quarterly basis. The reports include risk exposures measured against Board-approved risk appetite tolerances, and where relevant, management actions are identified to ensure risk mitigation and controls are effective.

The principal risk factors that affect the Company's operating results and financial condition include financial risks such as market risk, credit risk and liquidity risk, insurance risk and other risks such as regulatory risk.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

The following sections describe the primary financial risks and associated risk management strategies in place that affect the Company's operating results and financial condition.

a. Market risk

The Company's most significant market risks are interest rate risk and foreign exchange risk.

i. Interest rate risk

The Company manages interest rate risk through an asset liability management ("ALM") framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance contract liabilities. Within the context of the ALM framework, the Company uses derivatives including interest rate swaps and bond futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

The Investment Policy outlines the duration constraints that have been approved by the Board. In operationalizing these constraints, considerably more confining duration-based targets have been established that are closely monitored and reported to the MOC on a monthly basis and to the Board and Risk Committees on a quarterly basis.

The following table shows the sensitivity to changes in interest rates:

AS AT DEC . 31 US$ THOUSANDS	**2020**		**2019**	
	50 bps increase	**50 bps decrease**	**50 bps increase**	**50 bps decrease**
Movement in liabilities	**$ 62,847**	**$(62,604)**	$ 33,434	$(33,247)
Movement in assets	**(62,240)**	**62,240**	(35,897)	35,897
Tax effect	**(161)**	**96**	653	(702)
Impact on comprehensive income	**$ 446**	**$ (268)**	$ (1,810)	$ 1,948

The Investment Policy is reviewed at least annually and approved by the Board.

ii. Foreign exchange risk

The Company's obligations under its insurance contracts are denominated in CAD but a portion of the assets supporting these liabilities are denominated in non-Canadian dollars ("non-CAD"). The percentage of assets denominated in non-CAD as at December 31, 2020 and 2019 is 25% and 17%, respectively.

The Company manages foreign exchange risk using foreign exchange forwards. The Investment Policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

As at December 31, 2020, a 10% fluctuation in CAD against non-CAD currencies would have an impact of approximately $188 thousand on net income and $nil on OCI (2019 — $37 thousand on net income and $nil on OCI, 2018 — $2 thousand on net income, $nil on OCI).

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

b. Credit risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The Company is primarily exposed to credit risk through its investments in debt securities.

The Company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy.

i. Asset quality

The following table summarizes the external credit ratings for cash and cash equivalents and investments:

AS AT DEC. 31 US$ THOUSANDS	2020		2019	
Cash and cash equivalents	**$ 35,461**	3%	$ 13,361	2%
Bonds				
AAA	**407,608**	33%	43,442	6%
AA	**11,487**	1%	155,634	22%
A	**121,486**	10%	132,004	18%
BBB	**617,060**	50%	335,816	47%
BB	**9,574**	1%	8,719	1%
B	**967**	<1%	1,252	<1%
Unrated	**21,136**	2%	21,309	3%
	1,189,318	97%	698,176	97%
Preferred shares				
P2	**3,019**	<1%	2,872	1%
Mortgages				
Guaranteed by Canada Mortgage and Housing Corporation (“CMHC”)	**128**	<1%	490	<1%
Total cash and cash equivalents and investments	**$1,227,926**	100%	$714,899	100%

The Company’s overall target credit quality for the portfolio is a credit rating of A minus. As at December 31, 2020 and 2019, the Company met this requirement.

ii. Concentration

Concentrations of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics.

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

Bonds

The following table provides the fair value of investments by groups of issuers of bonds:

AS AT DEC. 31 US$ THOUSANDS	2020		2019	
Government bond holdings	**$ 401,049**	**34%**	$200,567	29%
Corporate and other bond holdings	**788,269**	**66%**	497,609	71%
Total bond holdings	**$1,189,318**	**100%**	$698,176	100%

The following table discloses the Company's top 5 holdings of issuers (excluding governments), as well as exposure to the largest single issuer of corporate bonds.

AS AT DEC. 31	Unit	2020	2019
Exposure to the top 5 largest issuers of corporate bonds	US$ (000's)	**90,123**	67,998
% of total cash and cash equivalents and investments	%	**7**	10
Exposure to the largest single issuer of corporate bonds	US$ (000's)	**18,173**	13,889
% of total cash and cash equivalents and investments	%	**2**	2

Preferred shares

The Company's holdings of preferred shares are all issued by Canadian companies, with 100% (2019 — 100%) of these investments rated as P-2.

Mortgages

All mortgages are guaranteed by CMHC (2019 — 100%).

iii. Derivative counterparties

Credit risk also arises in respect of derivative contracts to the extent that there is the potential for the counterparties to default on their obligations. To manage this risk, derivative transactions are limited to an approved list of counterparties and in some cases are fully collateralized with highly rated instruments. The derivative counterparty risk as of December 31, 2020 and 2019 was $7.2 million and $2.3 million, respectively. As at December 31, 2020 and 2019, these counterparties have a credit rating of A+ or higher.

iv. Reinsurance counterparties

The Company has reinsurance contracts with third-party registered reinsurers and one third-party unregistered reinsurer with a total exposure of $190.1 million at December 31, 2020 (2019 — $197.2 million). To manage counterparty risk, reinsurance transactions are limited to an approved list of reinsurers with concentration limits to any single reinsurer.

Under the reinsurance contracts with third-party unregistered reinsurers, highly rated assets are required to be pledged to the Company to fully support the ceded liabilities. The Company maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, the Company has the right to liquidate or take legal possession of these assets, in a timely manner.

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

As at December 31, 2020, the credit ratings of the reinsurers are A+.

v. Impaired Assets

The Company reviews all reinsurance assets at each reporting date and determined that there is no evidence of impairment as at December 31, 2020 and 2019.

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

Cash outflows primarily consist of benefit payments to policyholders and to a lesser extent, operating expenses and settlement of derivative contracts.

The following table sets out the expected maturity profile of the Company's financial liabilities:

AS AT DEC. 31 US$ THOUSANDS	2020			
	Within 1 year	1 – 5 years	Over 5 years	Total
Insurance contract liabilities	**$ 21,482**	**$ 168,772**	**$ 1,148,476**	**$ 1,338,730**
Due to related party	**4**	**—**	**—**	**4**
Reinsurance payable	**410**	**—**	**—**	**410**
Derivative liabilities	**122**	**—**	**—**	**122**
Current tax liability	**676**	**—**	**—**	**676**
Accounts payable and accrued liabilities	**3,793**	**978**	**—**	**4,771**
Funds withheld liabilities	**12,379**	**—**	**—**	**12,379**
Total	**$ 38,866**	**$ 169,750**	**$ 1,148,476**	**$ 1,357,092**

AS AT DEC. 31 US$ THOUSANDS	2019			
	Within 1 year	1 – 5 years	Over 5 years	Total
Insurance contract liabilities	$ 17,128	$128,455	$ 710,781	$856,364
Due to related party	28	—	—	28
Reinsurance payable	480	—	—	480
Derivative liabilities	661	—	—	661
Current tax liability	172	—	—	172
Accounts payable and accrued liabilities	3,550	—	—	3,550
Total	$ 22,019	$128,455	$ 710,781	$861,255

To manage liquidity risk, the Company as part of its ALM framework, purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to closely match those of the annuity policy liabilities. The Company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

In addition, the Company has access to a $50 million CAD revolving credit facility with BAM, $118 million repurchase agreement, and $3 million CAD revolving credit facility with highly rated financial institutions. As at December 31, 2020 and December 31, 2019 there were no amounts outstanding under these facilities.

The Management Investment Committee ("MIC") continuously monitors market, credit and liquidity risk. The MIC meets monthly and reports quarterly to the Investment Committee of the Board.

d. Insurance risk

Insurance risk is the risk that actual experience related to benefit payments and expenses does not emerge as expected. The Company is primarily exposed to longevity risk.

Longevity risk is the risk that mortality experience occurs at lower rates than that assumed at the time of pricing which exposes the Company to benefit payments that will be paid for longer periods than anticipated.

Longevity assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors established at the time of pricing. These factors take into consideration the characteristics of the annuitants including but not limited to gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data is comprised of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

These inputs and analytics support the Company's assessment of longevity risk.

To reduce longevity risk, the Company enters into longevity reinsurance transactions with third party reinsurers. Under these contracts, the Company commits to pay the reinsurers a schedule of fixed payments relating to defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of benefit expenses on those blocks to the Company. As at December 31, 2020, the Company has entered into longevity reinsurance contracts and has reinsured approximately 54% of its longevity risk (2019 — 59%, 2018 — No reinsurance transactions).

The following table shows the sensitivity to changes in longevity risk:

AS AT DEC. 31, 2020 US$ THOUSAND	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
(Increase) decrease in insurance contract liabilities	**$ 7,793**	**$ (8,138)**	**$ (10,693)**	**$ 10,855**
Tax effect	**(1,948)**	**2,035**	**2,673**	**(2,714)**
Impact on comprehensive income	**$ 5,845**	**$ (6,103)**	**$ (8,020)**	**$ 8,141**

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

AS AT DEC. 31, 2019 US$ THOUSAND	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
(Increase) decrease in insurance contract liabilities	$ 4,362	$ (4,597)	$ (5,580)	$ 5,652
Tax effect	(1,156)	1,216	1,479	(1,498)
Impact on comprehensive income	$ 3,206	$ (3,381)	$ (4,101)	$ 4,154

AS AT DEC. 31, 2018 US$ THOUSANDS	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
(Increase) decrease in insurance contract liabilities	$ 3,708	$ (4,178)	$ (6,134)	$ 5,284
Tax effect	(983)	1,107	1,626	(1,400)
Impact on comprehensive income	$ 2,725	$ (3,071)	$ (4,508)	$ 3,884

e. Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

The Company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board.

Disaster recovery and business continuity plans have also been established to manage the Company's ability to operate under adverse conditions.

f. Regulatory risk

Regulatory risk stems principally from the risk of changes to the regulatory environment in which the Company operates. To manage this risk, the Company seeks to a have a regular dialogue with regulators to ensure compliance. Furthermore, senior management participates in industry groups and professional bodies to stay apprised of regulatory changes.

NOTE 11. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board. The operating capital levels are determined by the Company's risk appetite and ORSA. Furthermore, stress techniques that include the FCT are used to evaluate the Company's capital adequacy under sustained adverse scenarios.

Effective as of January 1, 2018, the Life Insurance Capital Adequacy Test ("LICAT") replaced the prior Minimum Continuing Capital and Surplus Requirements. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The Base Solvency Buffer, defined by OSFI, is the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits. As a Canadian life insurer, BAC is subject to LICAT. With a LICAT ratio of 137%, 164% and 202% as at December 31, 2020, 2019 and 2018, BAC's LICAT ratio is above OSFI's Supervisory Target Total Ratio of 100% and minimum Total Ratio of 90%.

The Company's capital base consists entirely of total equity of $83.0 million and $65.5 million as at December 31, 2020 and 2019.

NOTE 12. SHARE CAPITAL

On December 17, 2020, the Company issued an additional 17,000 common shares to BAM for cash consideration of $13 million (2019 — 5,000 common shares at $4 million). The Company's shares have no stated par value.

BAH's authorized share capital comprises an unlimited number of common shares of which a total of 101,314 were issued and outstanding as at December 31, 2020 (2019 — 84,314), all of which were issued by the Company for total cash consideration of $78 million (2019 — $65 million).

Shares issued and outstanding changed as follows:

AS AT DEC. 31	**2020**		2019	
	Number of Shares (000's)	**Value**	Number of Shares (000's)	Value
Outstanding, beginning of year	**84**	**$64,612**	78	$59,890
Issued	**17**	**13,364**	6	4,722
Outstanding, end of year	**101**	**77,976**	84	64,612

There were no preferred share distributions during the period and the Company has no dilutive instruments outstanding. The components of basic earnings per share are summarized in the following table:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Net income (loss) attributable to shareholders	**$1,608**	$5,527	$(507)
Weighted average — common shares	**85.0**	81.6	70.4
Common shares	**85.0**	81.6	70.4

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

NOTE 13. OPERATING EXPENSES

Operating expenses include the following:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Salaries and benefits expense	**$ 2,694**	$2,509	$2,227
Professional services	**2,270**	1,853	1,216
Software	**776**	693	587
Sales and capital taxes[1]	**(1,347)**	435	111
Director fees	**151**	125	108
Depreciation of property, equipment and ROU assets .	**446**	217	229
Licenses and fees	**89**	84	51
Credit rating	**63**	76	76
Other	**463**	444	366
Total operating expenses	**$ 5,605**	$6,436	$4,971

1. Due to new information and experience in 2020, the Company recognized the effect of a change in accounting estimate prospectively in profit and loss.

NOTE 14. INCOME TAXES

Reconciliation to statutory income tax rate:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Current tax:			
Current tax on profits for the year	**$596**	$158	$—
Adjustments in respect of prior years	**(13)**	—	—
Total current tax	**583**	158	—
Deferred tax:			
Origination and reversal of temporary differences	**(42)**	—	—
Income tax expense	**$541**	$158	$—

**CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018**

The Company's effective income tax rate differs from the statutory income tax rate is as follows:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Net income (loss) before income taxes	**$2,149**	$ 5,685	$(507)
Statutory income tax rate	**25%**	26.7%	26.7%
Income tax at statutory rates	**537**	1,518	(135)
Tax effect of:			
Non-taxable investment income	**(36)**	—	—
Non-deductible items	**2**	43	—
Adjustments relating to prior years	**(13)**	—	—
Unrecognized (recognized) deferred taxes	**(47)**	(1,459)	135
Other	**98**	56	—
Total income tax expense	**541**	158	—

The tax expense relating to components of other comprehensive income is as follows:

Unrealized gain/(loss) on AFS assets	**938**	381	(103)
Tax (charge)/credit	**(237)**	(11)	—
After tax	**701**	267	(103)
Current tax expense	**237**	11	—
Deferred tax expense	**—**	—	—
Total tax expense	**237**	11	—

The current enacted corporate tax rate as it impacts the Company in 2020 is 25.0% (2019 — 26.7%). Due to new information and experience in 2020, the Company prospectively changed its estimate for sales and capital taxes that had been paid in years prior to 2020, resulting in a refund and a change to the tax rate for 2020. Non-taxable investment income includes dividend income from Canadian corporations. Nondeductible items and adjustments relating to prior years relate to differences in property, equipment, leases and meals & entertainment. Unrecognized (recognized) deferred taxes recorded in 2019 primarily relate to non-capital loss carryforwards. Other includes the effects of change in accounting estimates due to new information and experience in 2020 relating to the effective tax rate, operations in a low tax foreign jurisdiction and foreign exchange translation.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

The gross movement on the deferred income tax account is as follows:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019
Beginning Balance, January 1	—	$ —
Tax booked to income statement	**44**	48
Tax booked to OCI	—	1
Ending Balance, December 31	**44**	49
Derecognition of deferred tax assets	—	(49)
Deferred taxes recognized in the year	**44**	—

Deferred tax asset

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019
Property and equipment	**$39**	$ 47
Lease liability (net of lease assets)	**5**	2
Deferred taxes	**44**	49
Derecognition of deferred tax assets	—	(49)
Deferred taxes recognized in the year	**44**	—

Deferred tax asset recognized relates to temporary differences.

NOTE 15. FINANCIAL COMMITMENT

As at December 31, 2020, BAC had loan commitment agreements with a third party to the maximum of $14.5 million exclusive of taxes and other operating expenses (2019 — $8.4 million), As at December 31, 2020, $10.0 million was loaned (2019 — $5.4 million). The amount was recognized as an unrated bond.

NOTE 16. SUPPLEMENTARY INSURANCE INFORMATION

The following table presents supplementary information for our insurance operations:

AS AT AND FOR THE YEAR ENDED DEC. 31 US$ THOUSANDS	Insurance contract liabilities	Reinsurance assets	Net investment income on reserve	Benefit expenses	Benefit expenses ceded	Gross premiums	Ceded premiums
Dec. 31, 2020	**$1,338,730**	**$ 190,070**	**$ 82,305**	**$63,349**	**$(24,569)**	**$431,070**	**$ (634)**
Dec. 31, 2019	856,364	197,164	55,569	38,645	(13,502)	503,688	(178,579)
Dec. 31, 2018			(236)	13,408	—	160,146	—

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

NOTE 17. SUBSEQUENT EVENTS

In December 2020, the Company issued 17,000 common shares to BAM for a total value of $13.4 million.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date, there have been restrictions on the conduct of business in many jurisdictions. The longer-term impacts of the global pandemic will depend on future developments which are highly uncertain, constantly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts on our business.

CONDENSED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC.

(PARENT COMPANY)

All operating activities of Brookfield Annuity Holdings Inc. (the “Parent Company”) are conducted by its subsidiaries, Brookfield Annuity Company (“BAC”), Brookfield Annuity US Inc. (“BAUS”), North End Re (Bermuda) Ltd. (“NER Ltd.”), and North End Re (Cayman) SPC (“NER SPC”). BAUS is a wholly owned subsidiary of BAC. The Company is a holding company that does not conduct any substantive business operations and does not have any assets other than investments in its subsidiaries. The operating subsidiaries are regulated insurance companies and therefore have restrictions on the ability to pay dividends, loan funds and make other upstream distributions to the Company without prior approval by local regulators.

These condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these condensed financial statements.

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT US$ THOUSANDS	Dec. 31, 2020	Dec. 31, 2019
Assets		
Investments in subsidiaries	**$ 83,163**	$ 65,456
Total Assets	**$ 83,163**	$ 65,456
Equity		
Share capital	**$ 77,976**	$ 64,612
Accumulated surplus (deficit)	**1,646**	38
Accumulated other comprehensive income (loss)	**3,541**	806
Total equity	**$ 83,163**	$ 65,456

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

Table of Contents

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF OPERATING RESULTS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Income (loss) of equity method investments	**$1,608**	$5,527	$(507)
Net income (loss)	**$1,608**	$5,527	$(507)

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Net income (loss)	**$1,608**	$5,527	$ (507)
Other comprehensive income (loss)	**2,735**	3,246	(3,229)
Comprehensive income (loss)	**$4,343**	$8,773	$(3,736)

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

Table of Contents

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	Share Capital	Accumulated Surplus (Deficit)	AOCI	Total
Balance as at Dec. 31, 2019	$ 64,612	$ 38	$ 806	$65,456
Net income (loss)	—	1,608	—	1,608
Other comprehensive income (loss)	—	—	2,735	2,735
Comprehensive income (loss)	—	1,608	2,735	4,343
Equity issuances	13,364	—	—	13,364
Balance as at Dec. 31, 2020	**$ 77,976**	**$ 1,646**	**$ 3,541**	**$83,163**
Balance as at Dec. 31, 2018	$ 59,890	$ (5,489)	$(2,440)	$51,961
Net income (loss)	—	5,527	—	5,527
Other comprehensive income (loss)	—	—	3,246	3,246
Comprehensive income (loss)	—	5,527	3,246	8,773
Equity issuances	4,722	—	—	4,722
Balance as at Dec. 31, 2019	**$ 64,612**	**$ 38**	**$ 806**	**$65,456**
Balance as at Jan. 1, 2018	$ 53,900	$ (4,982)	$ 789	$49,707
Net income (loss)	—	(507)	—	(507)
Other comprehensive income (loss)	—	—	(3,229)	(3,229)
Comprehensive income (loss)	—	(507)	(3,229)	(3,736)
Equity issuances	5,990	—	—	5,990
Balance as at Dec. 31, 2018	**$ 59,890**	**$ (5,489)**	**$(2,440)**	**$51,961**

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Operating activities			
Net income (loss)	**$ 1,608**	$ 5,527	$ (507)
Items not affecting cash			
Equity in undistributed earnings of subsidiary	**(1,608)**	(5,527)	507
Net cash from operating activities	**—**	—	—
Investing activities			
Investments in shares of subsidiary	**(13,364)**	(4,722)	(5,990)
Cash used in investing activities	**(13,364)**	(4,722)	(5,990)
Financing activities			
Issuance of common shares	**13,364**	4,722	5,990
Cash from financing activities	**13,364**	4,722	5,990
Cash and cash equivalents			
Cash and cash equivalents, beginning of the year	**—**	—	—
Net increase (decrease) during the year	**—**	—	—
Cash and cash equivalents, end of the year	**$ —**	$ —	$ —

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Brookfield Annuity Holdings Inc (the "Parent Company") is a holding company that conducts all of its business operations through its subsidiaries. The Parent Company (an Ontario corporation) was incorporated on August 13, 2015.

The Parent Company is domiciled in Canada and wholly owns Brookfield Annuity Company ("BAC"), Brookfield Annuity US Inc. ("BAUS"), North End Re (Bermuda) Ltd. ("NER Ltd."), and North End Re (Cayman) SPC ("NER SPC"). BAC is a life insurance company incorporated under the Insurance Companies Act of Canada (the "Act") on August 11, 2016.

BAC received its order to commence business from the Office of the Superintendent of Financial Institutions ("OSFI") on October 3, 2016 and has obtained its licenses in all provinces of Canada. BAC provides pension de-risking solutions through group annuity policies.

NER Ltd. was incorporated on July 13, 2018 in Bermuda under the Bermuda Companies Act 1981. Under the provisions of Section 14, the status of NER Ltd. is that of an exempted company. NER Ltd. is currently in the process of obtaining a license to conduct commercial long-term life and annuity reinsurance business with third party direct insurers.

NER SPC was incorporated on April 17, 2019 under the laws of the Cayman Islands. NER SPC is approved as a Class B (iii) insurer under the Cayman Islands' Insurance Act, 2010 (as amended). The Company is licensed to conduct commercial long-term life and annuity reinsurance business with third-party direct insurers.

The Parent Company has accounted for the earnings of its subsidiaries under the equity method in these unconsolidated condensed financial statements.

The Parent Company's functional currency is CAD. The Company's consolidated financial statements are presented in USD as the functional currency of BAM Re is USD. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income.

For purposes of presenting the consolidated financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the period. Gains or losses on translation of these items are included in other comprehensive income.

No dividends have been received from any of our subsidiaries in the past three years.

NOTE 2. COMMITMENTS AND CONTINGENCIES

The Parent Company has no material commitments or contingencies during the reported periods.

EXHIBIT 11(d)

Unaudited Quarterly Financial Statements of Brookfield Reinsurance for the Quarter-Ended March 31, 2023

Brookfield

2023
Q1 INTERIM REPORT

Brookfield Reinsurance Ltd.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD REINSURANCE LTD.
AS AT MARCH 31, 2023 AND DECEMBER 31, 2022, AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

INDEX

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MAR. 31, 2023 AND DEC. 31, 2022 US$ MILLIONS, EXCEPT SHARE DATA	Note	**2023**	2022
Assets			
Available-for-sale fixed maturity securities, at fair value (net of allowance for credit losses of $22 in 2023 and $30 in 2022) (amortized cost of $17,894 in 2023 and $17,353 in 2022)	3	**$ 16,565**	$ 16,603
Equity securities, at fair value	4	**1,159**	1,253
Mortgage loans on real estate (net of allowance for credit loss of $52 in 2023 and $41 in 2022)	5	**5,963**	5,888
Private loans, net	9	**1,199**	1,144
Real estate and real estate partnerships (net of accumulated depreciation of $17 in 2023 and $14 in 2022)	6	**1,107**	1,036
Investment funds	9	**1,757**	1,396
Policy loans	9	**376**	374
Short-term investments	9	**2,635**	2,402
Other invested assets, net	9	**326**	211
Total investments		**31,087**	30,307
Cash and cash equivalents		**2,354**	2,145
Accrued investment income		**352**	341
Deferred policy acquisition costs	12	**1,703**	1,595
Reinsurance funds withheld	10	**6,004**	5,806
Premiums due and other receivables		**476**	436
Deferred tax asset		**433**	470
Reinsurance recoverables, net		**615**	595
Property and equipment (net of accumulated depreciation of $12 in 2023 and $7 in 2022)		**193**	194
Other assets	13	**636**	516
Separate account assets	11	**1,098**	1,045
Total assets		**44,951**	43,450
Liabilities			
Future policy benefits	14	**8,349**	7,966
Policyholders' account balances	15	**20,784**	20,141
Policy and contract claims	17	**1,825**	1,786
Deposit liabilities	10	**1,643**	1,657
Market risk benefit	16	**119**	124
Unearned premium reserve		**1,119**	1,086
Due to related parties	23	**247**	241
Other policyholder funds		**323**	322
Notes payable		**184**	151
Corporate borrowings	18	**2,049**	2,160
Subsidiary borrowings	18	**1,493**	1,492
Liabilities issued to reinsurance entities		**166**	151
Other liabilities		**1,117**	836
Separate account liabilities	11	**1,098**	1,045
Total liabilities		**40,516**	39,158
Junior Preferred Shares, par value $25 per share, redemption amount of $2,512	20	**2,607**	2,580
Equity			
Class A exchangeable and Class B (10,450,952 Class A exchangeable shares and 24,000 Class B shares outstanding as at 2023; 9,594,989 Class A exchangeable shares and 24,000 Class B shares outstanding as at 2022; with par value of $33.63 per share)		**460**	432
Class C (41,314,891 and 40,934,623 Class C shares outstanding as at 2023 and 2022, respectively)		**1,359**	1,272
Non-controlling interests		**9**	8
Total equity		**1,828**	1,712
Total liabilities and equity		**$ 44,951**	$ 43,450

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	**2023**	2022
Net premiums		**$ 800**	$ 109
Other policy revenue		**97**	—
Net investment income	3, 8	**400**	56
Investment related gains (losses), net	8	**(106)**	28
Net investment results from funds withheld		**12**	85
Total revenues		**1,203**	278
Claims and policyholder benefits	14	**(742)**	(105)
Interest sensitive contract benefits	15	**(241)**	(18)
Commissions for acquiring and servicing policies	12	**(180)**	—
Net change in deferred policy acquisition costs	12	**112**	20
Change in fair value of market risk benefit	16	**(6)**	12
Other reinsurance expenses		**(14)**	(4)
Operating expenses		**(176)**	(17)
Interest expense		**(60)**	(5)
Total benefits and expenses		**(1,307)**	(117)
Net income (loss) before income taxes		**(104)**	161
Income tax recovery (expense)	19	**11**	(5)
Net income (loss) for the period		**$ (93)**	$ 156
Attributable to:			
Class A exchangeable and Class B shareholders		**1**	2
Class C shareholders		**(99)**	154
Non-controlling interests		**5**	—
		$ (93)	$ 156
Net income (loss) per class C share			
Basic	21	**$ (3.09)**	$ 6.54

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	Note	**2023**	2022
Net income (loss)		**$ (93)**	$ 156
Other comprehensive income (loss), net of tax			
Equity accounted other comprehensive income (loss)		**—**	(17)
Net unrealized gain (loss) on available for sale securities		**407**	(269)
Foreign currency translation		**(2)**	3
Change in discount rate for future policyholder benefit liability		**(178)**	206
Change in instrument specific credit risk for market risk benefit		**12**	(6)
Defined benefit pension plan adjustment		**1**	—
Total other comprehensive income (loss)	22	**240**	(83)
Comprehensive income (loss)		**$ 147**	$ 73
Attributable to:			
Class A exchangeable and Class B shareholders		**1**	2
Class C Shareholders		**141**	71
Non-controlling interests		**5**	—
		$ 147	$ 73

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 2023 US$ MILLIONS	Class A exchangeable and Class B shareholders			Class C shareholders					
	Share Capital	Retained earnings	Total	Share Capital	Retained earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2023	**$ 423**	**$ 9**	**$ 432**	**$ 1,467**	**$ 365**	**$ (560)**	**$ 1,272**	**$ 8**	**$ 1,712**
Changes in the period:									
Net income	—	1	**1**	—	(99)	—	**(99)**	**5**	**(93)**
Other comprehensive loss	—	—	**—**	—	—	240	**240**	**—**	**240**
Comprehensive income (loss)	—	1	**1**	—	(99)	240	**141**	**5**	**147**
Other items:									
Equity issuances	38	—	**38**		—	—	**—**	**—**	**38**
Dividends and distributions[1]	(1)	—	**(1)**	—	(67)	—	**(67)**	**(4)**	**(72)**
Other	(10)	—	**(10)**	10	—	3	**13**	**—**	**3**
Total change in the period	27	1	**28**	10	(166)	243	**87**	**1**	**116**
Balance as at March 31, 2023	**$ 450**	**$ 10**	**$ 460**	**$ 1,477**	**$ 199**	**$ (317)**	**$ 1,359**	**$ 9**	**$ 1,828**

1. The Company distributed $0.07 in the form of a return of capital per each Class A exchangeable and Class B share in the first quarter of 2023.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 2022 US$ MILLIONS	Class A exchangeable and Class B shareholders			Class C shareholders					
	Share Capital	Retained earnings	Total	Share Capital	Retained earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2022	**$ 536**	**$ 3**	**$ 539**	**$ 963**	**$ (106)**	**$ (42)**	**$ 815**	**$ —**	**$ 1,354**
Changes in the period:									
Net income	—	2	**2**	—	154	—	**154**	**—**	**156**
Other comprehensive loss	—	—	**—**	—	—	(83)	**(83)**	**—**	**(83)**
Comprehensive income (loss)	—	2	**2**	—	154	(83)	**71**	**—**	**73**
Other items:									
Return of capital[1]	(2)	—	**(2)**	—	26	(5)	**21**	—	**19**
Total change in the period	(2)	2	**—**	—	180	(88)	**92**	**—**	**92**
Balance as at March 31, 2022	**$ 534**	**$ 5**	**$ 539**	**$ 963**	**$ 74**	**$ (130)**	**$ 907**	**$ —**	**$ 1,446**

1. The Company distributed $0.14 in the form of a return of capital per each Class A exchangeable and Class B share in the first quarters of 2022.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	2023	2022
Operating activities		
Net income for the year	**$ (93)**	$ 156
Adjustments for non-cash items:		
Accretion on investments and depreciation	**(15)**	3
Net losses (gains) on investments and derivatives	**121**	111
Investment credit losses (reversals)	**5**	(1)
Income from real estate partnerships, investment funds and corporations	**(28)**	(13)
Distributions from real estate partnerships, investment funds and corporations	**36**	—
Interest credited to policyholder account balances	**140**	—
Deferred income taxes	**(13)**	5
Changes in operating assets and liabilities:		
Policyholder liabilities	**461**	(7)
Deposit liabilities	**(53)**	(1)
Reinsurance funds withheld	**(233)**	(136)
Deferred policy acquisition costs	**(103)**	(24)
Reinsurance recoverable	**16**	16
Prepaid reinsurance premiums	**4**	—
Accrued investment income	**(11)**	—
Liability for retirement benefits	**(6)**	0
Working capital and other	**(30)**	(32)
Cash flows from operating activities	**198**	77
Investing activities		
Purchase of investments		
Available-for-sale fixed maturity securities	**(1,657)**	(470)
Equity securities	**(85)**	(184)
Mortgage loans on real estate	**(182)**	(169)
Real estate and real estate partnerships	**(89)**	—
Investment funds	**(149)**	—
Policy loans	**—**	(192)
Short-term investments	**(2,965)**	(1,044)
Other invested assets	**(445)**	—
Proceeds from sales and maturities of investments		
Available-for-sale fixed maturity securities	**2,017**	282
Equity securities	**27**	—
Mortgage loans on real estate	**97**	2
Real estate and real estate partnerships	**—**	—
Investment funds	**19**	(253)
Policy loans	**—**	—
Short-term investments	**3,068**	1,582
Other invested assets	**307**	83
Purchases of derivatives	**(58)**	—
Proceeds from sales and maturities of derivatives	**—**	94
Purchase of intangibles and property and equipment	**(26)**	—
Proceeds from sales of intangibles and property and equipment	**14**	—
Change in collateral held for derivatives	**36**	—
Other, net	**(3)**	—
Cash flows from investing activities	**(74)**	(269)
Financing activities		
Distributions to common stockholders	**—**	(2)
Borrowings from external parties	**338**	85
Repayment of borrowings to external parties	**(450)**	(27)
Borrowings issued to reinsurance entities	**—**	118
Repayment of borrowings issued to reinsurance entities	**—**	(52)
Policyholders’ account deposits	**725**	—

Policyholders' account withdrawals	**(543)**	—
Proceeds from repurchase agreement	**30**	108
Repayments of repurchase agreement	**(14)**	(108)
Cash flows from financing activities	**86**	122
Cash and cash equivalents		
Cash and cash equivalents, beginning of period	**2,145**	393
Net change during the period	**210**	(70)
Foreign exchange on cash balances held in foreign currencies	**(1)**	—
Cash and cash equivalents, end of period	**$ 2,354**	$ 323
Supplementary cash flow disclosures		
Cash taxes recovered	**12**	$ —
Cash interest paid	**49**	—
Dividends and interest income received	**77**	26

NOTE 1. NATURE OF OPERATIONS

Brookfield Reinsurance Ltd. (“Brookfield Reinsurance” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company’s class A exchangeable shares are listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") under the symbol “BNRE”.

On June 28, 2021, Brookfield Corporation ("Brookfield") completed the spin-off of the Pension Risk Transfer business (the "Business") to the Company and the special dividend declaration to holders of Brookfield's Class A and B Shares. Brookfield controlled the Business prior to the spin-off and has significant influence over the Company subsequent to the spin-off through its interests in the Company. The Business was transferred before spin-off, as part of the reorganization, and therefore the transactions were common control transactions.

In December 2022, the Company changed its name from Brookfield Asset Management Reinsurance Partners Ltd. to Brookfield Reinsurance Ltd. and changed its trading symbol from “BAMR” to “BNRE”. The Company’s operations are located primarily in Bermuda, the United States, Canada, and the Cayman Islands. The Company’s registered head office is Ideation House, 1st Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. (“BAM Re Holdings”), which holds the Company’s interest in its operating subsidiaries North End Re Ltd. ("NER Ltd.”), North End Re (Cayman) SPC (“NER SPC”), Brookfield Annuity Company (“BAC”) and American National Group, LLC (“American National”).

The Company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, Brookfield Reinsurance offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. The business is presently conducted through our subsidiaries under three operating segments: Direct Insurance, Reinsurance, and PRT.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

The accompanying unaudited interim condensed consolidated financial statements ("financial statements") and notes thereto, including all prior periods presented, have been presented under accounting principles generally accepted in the United States of America (“GAAP”). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated.

The financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, disclosure of contingent assets and liabilities during the reporting period.

Included among the material (or potentially material) reported amounts and disclosures that require use of estimates are: fair value of certain financial assets, derivatives, allowances for credit losses, deferred acquisition costs (“DAC”), value of business acquired (“VOBA”), goodwill and other intangibles, market risk benefits, future policy benefits, pension plans, income taxes including the recoverability of our deferred tax assets, and the potential effects of resolving litigated matters. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

Class A exchangeable shares: the Company's equity interests include the class A exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield), plus unpaid distributions. Each class A exchangeable share, held on the record date, has voting rights and is entitled to cast one vote at a meeting of shareholders of the Company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the Company and as a result are not adjusted for changes in market value. As class A exchangeable shares rank in priority to the class C shares, they are not considered common stock of the Company.

Class B shares: the Company's equity interests include the class B shares held by Brookfield Reinsurance Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The Brookfield Reinsurance Class B Partners are entitled to one vote on any matter and can cast one vote for each class B share held at the record date.

The class B shares are classified as equity instruments. The class B shares are issued capital of the Company and as a result are not adjusted for changes in market value. As class B shares rank in priority to the Class C shares, they are not considered common stock of the Company.

Class C shares: the Company's equity interests include the class C shares held by Brookfield. The class C shares are non-voting shares that are entitled to the residual economic interest in the Company after payment in full of the amount due to holders of our class A exchangeable shares and our class B shares and subject to the prior rights of holders of the Preferred Shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the Company and as a result are not adjusted for changes in market value.

Preferred shares: on May 25, 2022, the Company issued 98,351,547 Class A Junior Preferred Shares, Series 1 ("preferred shares"), to Brookfield, for proceeds of $2.5 billion. Each preferred share is non-voting and is redeemable at $25 per share. On December 9, 2022, Brookfield Reinsurance issued 2,108,733 Class A Junior Preferred Shares, Series 2 ("preferred shares") for $53 million to Brookfield. Each of these preferred shares is redeemable, together with any accrued and unpaid dividends, at the option of the issuer, subject to certain restrictions. Further, these preferred shares entitle the holders thereof to a fixed cumulative 4.5% preferential cash dividend payable annually as and when declared by the issuer's board of directors.

The Class A Junior Preferred Shares are retractable by the holder, at par value together with an amount equal to all dividends accrued and unpaid, on demand, at any point on or after the seventh anniversary of the date of issue. The preferred shares are recognized as temporary equity on the unaudited condensed consolidated statements of financial position ("statements of financial position") due to their redemption feature and are subsequently measured at accreted redemption value which is subject to a floor equal to the initial carrying amount. The dividends are recognized as a reduction of retained earnings on the unaudited condensed consolidated statements of changes in equity ("statements of equity").

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree, if applicable, is initially measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

Transaction costs are recorded as operating expenses on the condensed consolidated statements of operations ("statements of operations").

Available-for-sale fixed maturity securities primarily include bonds, asset backed securities (“ABS”) and private debt. Available-for-sale fixed maturity securities, which may be sold prior to their contractual maturity, are designated as available-for-sale (“AFS”) and are carried at fair value with changes in fair value recognized in other comprehensive income.

For available-for-sale fixed maturity securities in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security’s amortized cost basis is written down to fair value through income in "Investment related gains (losses), net". For those that do not meet either indicated criteria, the Company evaluates whether the decline in fair value has resulted from credit loss or market factors. In making this assessment, management first calculates the extent to which fair value is less than amortized cost, and then may consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this qualitative assessment indicates that a credit loss exists, the present value of expected cash flows is compared to the amortized cost basis of the security. The net present value of the expected cash flows is calculated by discounting management’s best estimate of expected cash flows at the effective interest rate implicit in the available-for-sale fixed maturity security when acquired. If the present value of expected cash flows is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income in "Investment related gains (losses), net" limited to the amount fair value is less than amortized cost. If the fair value is less than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists which is recorded in other comprehensive income (loss) for the difference between the fair value and the net present value of the expected cash flows.

Additions to or releases of the allowance on all available-for-sale fixed maturity securities are reported in "Investment related gains (losses)" in the statements of operations.

Equity securities primarily include common stocks, preferred stocks and private equity. Equity securities are carried at fair value with changes in fair value recognized in earnings.

Mortgage loans on real estate are stated at amortized cost, which includes the unamortized principal, interest, discounts or premiums and deferred expenses, net of allowances for expected credit loss. Premiums and discounts are amortized using the effective yield method over the life of the loan. Interest income, prepayment fees, and amortization of premiums and discounts and origination fees are reported in “Net investment income” in the statements of operations. However, interest ceases to accrue for loans on which interest is more than 90 days past due, when the collection of interest is not probable, or when a loan is in foreclosure. Income on impaired loans is reported on a cash basis. When collection of a loan becomes probable, it is placed back into accrual status. Cash receipts on impaired loans are recorded as a reduction of principal, interest income, expense reimbursement, or other manner in accordance with the loan agreement. In the statements of operations, gains and losses from the sale of loans and changes in allowances are reported in “Investment related gains (losses)”.

Mortgage loans are presented net of the Company's recorded allowance for expected credit loss, which represents the portion of amortized cost basis on mortgage loans that the Company does not expect to collect. In determining the Company’s allowance for credit losses, management: (i) pools and evaluates mortgage loans with similar risk characteristics, (ii) considers expected lifetime credit losses adjusted for prepayments and extensions, and (iii) considers past events, current economic conditions and forecasts of future economic conditions. The allowance is calculated quarterly for each property type based on inputs unique to each loan property type. The Company is using the discounted cash flow model to assess expected credit loss.

On an ongoing basis, mortgage loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality) and collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is probable), may be evaluated individually for credit loss. The allowance for credit losses for loans evaluated individually is established using the same methodologies for the overall mortgage portfolio except for collateral dependent loans. The allowance for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan's underlying collateral, less selling cost when foreclosure is reasonably possible or probable. Accordingly, the change in the estimated fair value of collateral dependent loans is recorded as a change in the allowance for credit losses which is recorded on a quarterly basis as a charge or credit to earnings.

The Company's mortgage loans are primarily originated and are not purchased in the secondary market; as such, the mortgage loans would not generally be subject to purchased credit deteriorated considerations.

Policy loans are carried at the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, the carrying value of policy loans approximates fair value.

Real estate and real estate partnerships comprise of investment real estate, as well as real estate joint ventures and other limited partnerships.

Investment real estate including related improvements that are stated at cost less accumulate depreciation, depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 15 to 50 years). Rental income is recognized on a straight-line basis over the term of the respective lease. The Company classifies a property as held-for-sale if it commits to a plan to sell a property within one year and actively markets the property in its current condition for a price that is reasonable in comparison to its estimated fair value. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated while it is classified as held-for-sale. The Company periodically reviews its investment real estate for impairment and tests properties for recoverability whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and the carrying value of the property exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, with the impairment loss included as an adjustment to "Investment related gains (losses)" in the statements of operations. Impairment losses are based upon the estimated fair value of real estate, which is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks as well as other appraisal methods. Real estate acquired upon foreclosure is recorded at the lower of its cost or its estimated fair value at the date of foreclosure.

Real estate joint ventures and other limited partnership interests in which the Company has significant interest or influence over the investee's operations without a controlling financial interest, are accounted for using the equity method of accounting. These investments are reported as "Real estate and real estate partnerships" in the statements of financial position. For certain joint ventures, the Company records its share of earnings using a lag methodology of one to three months when timely financial information is not available, and the contractual right does not exist to receive such financial information. In addition to the investees' impairment analysis of their underlying investments, the Company routinely evaluates its investments in those investees for impairments. The Company considers financial and other information provided by the investee, other known information, and inherent risks in the underlying investments, as well as future capital commitments, in determining whether impairment has occurred. When an impairment is deemed to have occurred at the joint venture level, the Company recognizes its share as an adjustment to "Net investment income" to record the investment at its fair value. When an impairment results from the Company's separate analysis, an adjustment is made through "Investment related gains (losses)" to record the investment at its fair value.

Investment funds are primarily comprised of various funds and corporate investment holdings for which the Company is not the primary beneficiary. The Company recognizes the share of the earnings in "Net investment income" under the equity method of accounting. Cash distributions are received from the earnings and from liquidation of underlying investments.

Short-term investments include highly liquid securities and other investments with original maturities of over 90 days and less than one year at the date of acquisition. Securities included within short-term investments are stated at fair value with amortized cost used as an approximation of fair value for certain investments.

Derivative instruments are carried at fair value and may be collateralized by counterparties; such collateral is restricted to the Company’s use. Derivative instruments are purchased to manage foreign currency exposure and other market risks associated with certain assets and liabilities. Derivative instruments are recorded at fair value on the acquisition date and subsequently revalued at fair value at each reporting date. Derivative instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities in the statements of financial position. Changes in the fair value of derivatives are recorded in “Investment related gains (losses)” in the statements of operations. The Company does not apply hedge accounting treatment to its derivative instruments.

In some instances, the Company holds collateral to offset exposure from its counterparties relating to its derivative instruments. The Company elects to offset collateral that supports credit risk is reported in the statements of financial position.

Private loans are stated at amortized cost, net of allowances for expected credit loss.

Credit loss allowances for private loans are estimates of expected credit losses, established for loans upon origination or purchase, and are established considering all relevant information available, including past events, current conditions, and reasonable and supportable forecasts over the life of the loans. Loans are evaluated on a pooled basis when they share similar risk characteristics; otherwise, they are evaluated individually.

Other invested assets are primarily comprised of derivatives instruments. Separately managed accounts and Federal Home Loan Bank stock are also included in other invested assets and are carried at cost or market value if available from the account manager. Other invested assets also include tax credit partnerships and mineral rights less allowance for depletion, where applicable.

Credit loss allowances The Company records an allowance for expected lifetime credit loss in earnings within investment related gains (losses), net, in an amount that represents the portion of the amortized cost basis of mortgage and private loans that the Company does not expect to collect, resulting in the loans being presented at the net amount expected to be collected. In determining the Company’s credit loss allowances, management applies significant judgment to estimate expected lifetime credit loss, including: (i) pooling loans that share similar risk characteristics, (ii) considering expected lifetime credit loss over the contractual term of its loans adjusted for expected prepayments and any extensions, and (iii) considering past events and current and forecasted economic conditions.

Reinsurance funds withheld are receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which the subsidiaries of the Company act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies’ general accounts and are managed by our subsidiaries. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, the subsidiaries would need to assert a claim on the assets supporting the reserve liabilities. However, the subsidiaries have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The subsidiaries are subject to the investment performance and have all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by the subsidiaries. The underlying agreements contain embedded derivatives. Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the statements of financial position and presented within “Reinsurance funds withheld”. Changes in the fair value are included in the “Net investment results from funds withheld” in the statements of operations, as discussed in Derivative Instruments (Note 7).

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to thirty years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The ROU asset is depreciated on the straight-line basis over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

The Company reviews its property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets consist of capitalized costs of estimated fair value of computer software, distributor relationships, trade name and insurance licenses. Intangible assets are included in other assets within the statements of financial position.

Definite-lived intangible assets are carried at cost less accumulated amortization. Amortization expense is primarily calculated using the straight-line amortization method.

The Company assesses the impairment of definite-lived intangible assets in accordance with its policy for the impairment of property and equipment. The Company assesses the impairment of indefinite-lived intangible assets in accordance with its policy for the impairment of goodwill.

(i) Distributor Relationships

The distribution assets reflect relationships American National has with third-party intermediaries that sell new business for the Company. These assets are valued using the multi-period excess-earnings method, which derives value based on the present value of the after-tax cash flows attributable to the intangible asset only. The average useful life of distributor relationships is 19 years.

(ii) Trade Name

This represents American National's trade name and was valued using the relief from royalty method, which derives value based on present value of the after-tax royalty savings attributable to owning the intangible asset. The useful life of the trade name is 10 years.

(iii) Insurance Licenses

Given the highly regulated nature of the insurance industry, companies are required to hold certain licenses to operate. These licenses are valued using the comparable transaction method based on observable license transactions in the insurance industry. Insurance licenses represent an indefinite-lived intangible asset.

Deferred policy acquisition costs (“DAC”) are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to successfully acquire insurance, reinsurance, and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

Insurance contracts are grouped by contract type and issue year into cohorts consistent with estimating the associated liability for future policy benefits. DAC is amortized on constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. DAC will be amortized over the bases on a straight-line basis, all of which provide a constant level representation of contract term.

Product (s)	Amortization base
Traditional life products	Nominal face amount
Life contingent payout annuities	Annualized benefit amount in force
Health products	Original annual premium
Fixed deferred annuities, fixed indexed annuities, variable annuities	Policy count
Universal life products	Initial face amount

We review and update actuarial experience assumptions (such as mortality, surrenders, lapse, and premium persistency) serving as inputs to the models that establish the expected life for DAC and other actuarial balances during the third quarter of each year, or more frequently if evidence suggests assumptions should be revised. We make model refinements as necessary, and any changes resulting from these assumption updates are applied prospectively.

Amortization of DAC is included in the “Net change in deferred policy acquisition costs” on the statement of operations.

For short-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts. DAC for short-duration contracts is charged to expense in proportion to premium revenue recognized.

Value of business acquired (“VOBA”) is an intangible asset or liability resulting from a business combination that represents the difference between the policyholder liabilities measured in accordance with the acquiring company's accounting policies and the estimated fair value of the same acquired policyholder liabilities in-force at the acquisition date. VOBA can be either positive or negative. Positive VOBA is recorded in DAC. Negative VOBA occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities, and is recorded in the "future policy benefits" in the statements of financial position.

VOBA is amortized on a straight-line basis over the remaining life of the underlying policies.

Reinsurance recoverables include the reinsurance receivables from cedants or reinsurers, and reinsurance recoverables from reinsurers.

In the normal course of business, the Company is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured.

For long term duration contracts, reinsurance recoverables include amounts due from reinsurers for paid or unpaid claims, claims incurred but not reported or policy benefits and are presented net of a reserve for collectability. The Company cedes disability, medical and long-term care insurance as well as pension risk transfer contracts with significant insurance risk to other insurance companies through reinsurance.

For short term duration contracts, reinsurance recoverables are estimated amount due to the Company from reinsurers related to paid and unpaid ceded claims and claim adjustment expenses (“CAE”) and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under the non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of incurred but not reported ("IBNR") using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and the estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

Reinsurance receivables include amounts receivable from third party reinsurers and cedants which are expected to be settled within a year. Reinsurance receivables are short-term in nature, and their fair values approximate carrying value.

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired, less any impairment of goodwill recognized. Goodwill is recognized when acquired.

Goodwill is not amortized but is tested for impairment at least annually. Goodwill is assessed for impairment whenever events or changes in circumstances, such as deteriorating or adverse market conditions, indicate that it is more likely than not that the carrying amount of the reporting unit including goodwill may exceed the fair value.

Goodwill impairment is measured and recognized as the amount by which a reporting unit's carrying value, including goodwill, exceeds its fair value, not to exceed the carrying amount of goodwill of the reporting unit. There were no impairment adjustments made to goodwill for the period.

Goodwill is included within Other Assets in the statements of financial position.

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of the Company. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. The Company reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from the Company's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, the Company's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of the Company.

Assets pledged as collateral: the Company receives and pledges collateral in respect to certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the statements of financial position as the Company retains all rights related to these assets.

Collateral received is not recognized in the statements of financial position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

Collateralized borrowing transactions: Securities sold under repurchase agreements are collateralized borrowing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at amortized cost and are recorded at amounts at which the securities were initially sold.

The Company recognizes an asset in the statements of financial position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented as net in the statements of financial position when the criteria to offset are met.

Future policy benefits (“FPB”) is calculated as the present value of expected future policy benefits to be paid or on behalf of policyholders and certain related expenses, reduced by the present value of expected net premiums to be collected from policyholders. Principal assumptions used in the establishment of the FPB mortality, lapse, incidence, terminations, claim-related expenses, and other contingent events as appropriate to the respective product type. The Company groups contracts into annual cohorts based on product type and contract inception date for the purposes of calculating the liability for future policy benefits.

The Company updates its estimate of cash flows over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. The Company reviews cash flow assumptions, including assumptions for claim-related expenses annually in the third quarter. Assumption revisions will be reflected in the net premium ratio and FPB calculation in the quarter in which assumptions are revised. The change in the liability due to actual experience are recognized in "Claims and Policyholder benefits" in the statements of operations.

The Company measures the FPB at each reporting period using both the locked-in discount rate and the current discount rate curve. To determine the locked in-discount rate, the Company solves for a single scalar rate by cohort that is equivalent to the Bloomberg BVSC curve of single-A bond yields. For remeasurement at current discount rates, the prevailing forward curve of Bloomberg BVSC single-A bond yields is used. The same net premium ratio, calculated using the locked-in discount rate, will be used for both FPB measurements. The curve is derived by solving for the locked-in discount rate by calculating a moving monthly average of each point (i.e., tenor) on the Bloomberg BVSC curve. For certain long-tailed life insurance liabilities with expected future cash flows longer than the last observable tenor (30 years) the discount rate for future cash flows beyond 30 years will be held constant at the ultimate (30 year) observable forward rate. The difference between the updated carrying amount of the liability for future policy benefits measured using the current discount rate assumption and the original discount rate assumption is recognized in other comprehensive income during the period.

Should the present value of actual and future expected benefits less transition FPB balance exceed the present value of actual and future expected gross premiums, the net premium ratio will be capped at 100% and a gross premium FPB will be held. The immediate charge will be the amount by which the uncapped net premium ratio exceeds 100% times the present value of future expected gross premium. This assessment will be performed at the cohort level.

The Company periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the consolidated statements of operations in the period in which the changes occur.

Deferred Profit Liability

For limited-payment products, gross premiums received in excess of net premiums are deferred at initial recognition as a deferred profit liability (“DPL”). Gross premiums are measured using assumptions consistent with those used in the measurement of the liability for future policy benefits, including discount rate, mortality, lapses and expenses.

The DPL is amortized and recognized as claims and policyholder benefits in proportion to expected future benefit payments from annuity contracts. Interest is accreted on the balance of the DPL using the discount rate determined at contract issuance. The Company reviews and updates its estimate of cash flows from the DPL at the same time as the estimates of cash flows for the liability for future policy benefits. When cash flows are updated, the updated estimates are used to recalculate the DPL at contract issuance. The recalculated DPL as of the beginning of the current reporting period is compared to the carrying amount of the DPL as of the beginning of the current reporting period, and any difference is recognized as either a charge or credit to premium revenue.

DPL is recorded in future policy benefits and included as a reconciling item within the disaggregated rollforwards.

Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed. Changes in the fair value of the embedded derivative are included in the “Interest sensitive contract benefits” in the statements of operations, as discussed in Derivative Instruments (Note 7).

Liabilities for unpaid claims and claim adjustment expenses (“CAE”) are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported claims (“IBNR”) liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process. Liabilities for unpaid claims and claim adjustment expenses for health and property and casualty insurance in included in “Policy and contract claims” in the statements of financial position.

Deposit liability: Reinsurance agreements that do not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk are accounted for as deposits. At initial recognition, the funds withheld or deposit liability is measured based on consideration paid or received, less any explicitly identified premiums or fees to be retained by the insurer or reinsurer. Any commission paid is recorded as a contra-liability offsetting the deposit liability and amortized to expense over the life of the agreements. The amount of the funds withheld or liability and any balances receivable from or payable to the cedant will be adjusted at subsequent reporting dates with the effective yield on the deposit to reflect actual payments to date and expected future payments with a corresponding credit or charge to interest sensitive contract benefits.

Market risk benefits ("MRB"), which are contracts or contract features that provide protection to the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk, are measured at fair value, at the individual contract level. The periodic change in fair value is recognized in net income with the exception of the periodic change in fair value related to the instrument-specific credit risk, which is recognized in other comprehensive income. The Company classifies the Lifetime Income Rider ("LIR") as an MRB. The LIR is a rider offering guaranteed minimum withdrawal benefits type benefits available on certain fixed indexed annuity products.

Total attributed fees will include explicit rider fees and will not be negative or exceed total contract fees and assessments collectible from the contract holder. There are only rider charges and surrender charges. Surrender charges will not be included in the fair value measurement, as surrender charges do not fund any future benefits. Cash flows are projected using risk-neutral scenarios generated by the Company.

The actuarial assumptions used in the MRB calculation are the Company's best estimate assumptions. Assumptions are adjusted to reflect fair value by applying a margin for non-hedgeable risk and an adjustment for own credit spread through the discount rate. The risk-free discount rate is the scenario specific US treasury rate.

Market risk benefits with positive values are recorded as other assets and negative fair values are reported as market risk benefit liabilities in the statements of financial position.

Structured entities: The Company invests a portion of its assets in structured entities that issue investments, such as debt and preferred securities to subsidiaries of the Company, and its reinsurance treaty accounts. The Company is the primary beneficiary of the variable returns of assets held within the entities as the investment manager for the structured entities is a related party and the Company has a significant economic interest in the structured entities. As a result, these entities are consolidated within the Company's financial statements.

Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the Company's investment in the consolidated structured entities is determined in accordance with the Company's accounting policies for the underlying securities held within the structured entities.

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where BAC acts as a cedant. While the assets in the funds withheld liabilities are legally owned by BAC, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. BAC's funds withheld liabilities balance includes cash and cash equivalents, fixed income securities and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost. Funds withheld liabilities are recorded in "Other liabilities" in the statement of financial position.

Reinsurance assumed: NER Ltd. closed a retrocession agreement on September 3, 2021 with a third-party insurance company to reinsure multi-year guarantee fixed annuities.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements ("Modco arrangements"). NER Ltd. generally has the right of offset on reinsurance contracts but has elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco arrangements are presented gross on the balance sheet. Since this treaty does not transfer significant insurance risk, it is recorded on a deposit method of accounting.

NER SPC closed a retrocession agreement on October 8, 2021, with an insurance company to reinsure fixed indexed annuities.

NER SPC assumes insurance contracts under Modco arrangements and Coinsurance. Changes in the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in “Interest sensitive contract benefits” in the statements of operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in “Other reinsurance expenses” in the statements of operations.

Participating insurance policies: for the majority of participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses).

For all other participating business, the allocation of dividends to participating policy owners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

It i included within Other policyholder funds in the statements of financial position.

Premium, benefits, claims incurred, and expenses

Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contract holders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid, and earned policy service fees. Amounts included in benefits are claims in excess of account balances returned to policyholders and interest credited to account balances.

Property and casualty premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection, which is generally evenly over the contract period. Claims incurred consist of claims and CAE paid and the change in reserves.

Gross premiums for PRT issued are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, future policy benefits are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis. Policyholder benefits are recorded in the statements of operations when they are due and incurred.

Pension and postretirement benefit obligations and costs for our frozen benefit plans are estimated using assumptions including demographic factors such as retirement age and mortality.

The Company uses a discount rate to determine the present value of future benefits on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. For this purpose, a hypothetical bond portfolio to match the expected monthly benefit payments under the pension plan was constructed with the resulting yield of the portfolio used as a discount rate.

In developing the investment return assumption, we relied on a model that utilizes the following factors:

- Current yield to maturity of fixed income securities
- Forecasts of inflation, GDP growth, and total return for each asset class
- Historical plan performance

- Target asset allocation
- Standard deviations and correlations related to historical and expected future returns of each asset class and inflation

The resulting assumption is the assumed rate of return for the plans' target asset allocation, net of investment expenses, and reflects anticipated returns of the plans' current and future assets.

Using this approach, the calculated return will fluctuate from year to year; however, it is the Company's policy to hold this long-term assumption relatively constant.

Interest income on investments measured at amortized cost is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Investment related gains (losses) include realized gains and losses on investments representing the difference between net sale proceeds and the purchase price, marked to market gains or losses on investments measuring the difference between the fair value of investments at the end of each reporting date and their purchase price, allowance of credit loss and foreign exchange gains (losses).

Investment upfront fees are considered to be loan origination fees and are capitalized as part of the carrying value of the loans and receivables as received and amortized over the life of the loans.

Net investment results from funds withheld include investment income on funds withheld investments and changes in the fair value of derivatives embedded in reinsurance contracts. Changes in the fair value of the embedded derivative are included in the net investment results from funds withheld in the statements of operations.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the Company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the financial statements. Deferred income tax liabilities are recognized for taxable temporary differences, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority within a single taxable entity, or the Company intends to settle its current tax assets and liabilities on a net basis in the case where there exists different taxable entities in the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Foreign currencies: the local currency of the Company's foreign subsidiaries is deemed to be the functional currency of the country in which these subsidiaries operate. The financial statements of the Company's foreign subsidiaries are translated into USD at the exchange rate in effect at the end of a reporting period for assets and liabilities and at average exchange rates during the period for the statements of operations.

The unrealized gains and losses from the translation of the net assets are recorded as unrealized foreign currency translation adjustments and included in accumulated other comprehensive income ("AOCI"). Changes in unrealized foreign currency translation adjustments are included in other comprehensive income ("OCI"). Gains and losses from foreign currency transactions are reported in "Net investment income" or "Net investment results from funds withheld" in the statements of operations.

Segments: in accordance with ASC 280 Operating Segments, the Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocation of resources and assessing performance. The Company's CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing the performance of the Company. Our operations were reorganized into three reportable segments: Direct Insurance, Reinsurance, and PRT (see Note 24).

Earnings per share: the holders of the class C shares are entitled to receive distributions if, as and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the Company's distributable earnings (as determined by management of the Company) after payment of distributions on the class A exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs, and other similar adjustments. Total outstanding class C shares have been used to calculate basic earnings per share. Class A exchangeable shares and class B shares are not considered participating securities nor considered to be common stock, and consequently earnings per share is not applicable to these classes of shares.

Basic earnings per share attributable to class C shareholders are calculated by dividing the Company's net income for the year, less distributions payable to class A exchangeable shareholders, class B shareholders and preferred shareholders, by the weighted average number of class C shares outstanding during the year.

Litigation contingencies: Existing and potential litigation is reviewed quarterly to determine if any adjustments to liabilities for probable losses are necessary. Reserves for losses are established whenever they are probable and reasonably estimable. If not one estimate within the range of possible losses is more probable than any other, a reserve is recorded based on the lowest amount of the range.

Adoption of new accounting standards

For long duration insurance contracts, ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), issued in August 2018, changes the measurement and disclosures of insurance liabilities and deferred acquisition cost for long-duration contracts issued by insurers. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted LDTI effective January 1, 2023 with a transition date of January 1, 2021. Initial adoption for the liability for future policy benefits and DAC is required to be reported using either a full retrospective or modified retrospective approach. MRB are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. For MRB, full retrospective application is required. The Company has elected to apply a modified retrospective transition method for the liability for future policy benefits and DAC. Certain company subsidiary insurance companies either began writing business or was purchased by the Company during the transition period. Therefore, such companies LDTI adoption date was as of the business inception or purchase date.

The LDTI guidance is not prescriptive as to the appropriate level of aggregation for disclosures; however, amounts from different reportable segments cannot be aggregated. Factors considered in determining the level of aggregation for disclosures include the type of coverage, geography and market or type of customer. We have identified the following levels of aggregation for LDTI disclosures: direct insurance, reinsurance and PRT. The disclosures do not include levels of aggregation for insignificant balances. At transition as at January 1, 2021, the adoption of LDTI did not result in any material adjustments to retained earnings or future policy benefits liabilities.

Future Accounting policy changes

The Company has continued to assess the impacts of future accounting policy changes as below:

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform.	The amendments in this guidance are effective for all entities as of March 12, 2020, and will sunset through March 31, 2023, at which time the application of exceptions and optional expedients will no longer be permitted. The FASB is currently deliberating an ASU that would extend the sunset date through December 31, 2024	The inventory of LIBOR exposures has been completed and is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR is not expected to have a material impact to the Company's financial statements or Notes to the financial statements.

NOTE 3. INVESTMENTS IN AVAILABLE-FOR-SALE FIXED MATURITY SECURITIES

The amortized cost and fair value of available-for-sale fixed maturity securities are shown below:

AS AT MAR. 31, 2023 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Carrying Value / Fair Value
Available-for-sale fixed maturity securities					
U.S. treasury and government	$ 148	$ —	$ (33)	$ —	**$ 115**
U.S. states and political subdivisions	854	1	(16)	—	**839**
Foreign governments	393	1	(19)	—	**375**
Corporate debt securities	14,430	37	(711)	(13)	**13,743**
Residential mortgage-backed securities	130	—	(5)	—	**125**
Commercial mortgage-backed securities	419	5	(21)	—	**403**
Collateralized debt securities	978	15	(19)	(9)	**965**
Total investments in available-for-sale fixed maturity securities	**$ 17,352**	**$ 59**	**$ (824)**	**$ (22)**	**$ 16,565**

AS AT DEC. 31, 2022 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Carrying Value / Fair Value
Available-for-sale fixed maturity securities					
U.S. treasury and government	$ 148	$ —	$ (38)	$ —	**$ 110**
U.S. states and political subdivisions	880	—	(25)	—	**855**
Foreign governments	353	1	(36)	—	**318**
Corporate debt securities	14,667	35	(1,136)	(24)	**13,542**
Residential mortgage-backed securities	133	—	(6)	—	**127**
Commercial mortgage-backed securities	422	5	(19)	—	**408**
Collateralized debt securities	1,291	9	(51)	(6)	**1,243**
Total investments in available-for-sale fixed maturity securities	**$ 17,894**	**$ 50**	**$ (1,311)**	**$ (30)**	**$ 16,603**

The amortized cost and fair value, by contractual maturity, of available-for-sale fixed maturity securities are shown below:

	March 31, 2023		December 31, 2022	
US$ MILLIONS	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 689**	**$ 682**	$ 494	$ 489
Due after one year through five years	**5,251**	**5,106**	5,244	5,072
Due after five years through ten years	**5,211**	**5,022**	5,907	5,436
Due after ten years	**6,201**	**5,755**	6,249	5,606
Total	**$ 17,352**	**$ 16,565**	$ 17,894	$ 16,603

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of available-for-sale fixed maturity securities, with the related gross realized gains and losses, are shown below:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Proceeds from sales of available-for-sale fixed maturity securities	**$ 2,017**	$ 282
Gross realized gains	**24**	89
Gross realized losses	**(59)**	(91)

Gains and losses are determined using first-in-first-out of the securities sold. In addition, the Company has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $44 million and $45 million at March 31, 2023 and December 31, 2022, respectively.

In accordance with various regulations, the Company has securities on deposit with regulating authorities with a carrying value of $30 million and $51 million at March 31, 2023 and December 31, 2022, respectively.

The gross unrealized losses and fair value of available-for-sale fixed maturity securities, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below:

AS AT MAR. 31, 2023 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	Less than 12 months			12 months or more			Total		
	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
Available-for-sale fixed maturity securities									
U.S. treasury and government	19	$ (1)	$ 37	19	$ (32)	$ 74	**38**	**$ (33)**	**$ 111**
U.S. states and political subdivisions	483	(16)	718	—	—	—	**483**	**(16)**	**718**
Foreign governments	46	(4)	303	23	(15)	55	**69**	**(19)**	**358**
Corporate debt securities	1,472	(486)	11,075	412	(219)	1,330	**1,884**	**(705)**	**12,405**
Residential mortgage-backed securities	46	(5)	124	—	—	—	**46**	**(5)**	**124**
Commercial mortgage-backed securities	36	(7)	264	39	(14)	129	**75**	**(21)**	**393**
Collateralized debt securities	90	(24)	720	16	(1)	24	**106**	**(25)**	**744**
Total	**2,192**	**$ (543)**	**$ 13,241**	**509**	**$ (281)**	**$ 1,612**	**2,701**	**$ (824)**	**$ 14,853**

AS AT DEC. 31, 2022 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	Less than 12 months			12 months or more			Total		
	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
Available-for-sale fixed maturity securities									
U.S. treasury and government	41	$ (36)	$ 104	5	$ (2)	$ 4	**46**	**$ (38)**	**$ 108**
U.S. states and political subdivisions	579	(25)	824	—	—	—	**579**	**(25)**	**824**
Foreign governments	13	(23)	258	11	(13)	25	**24**	**(36)**	**283**
Corporate debt securities	1,534	(944)	10,931	251	(192)	912	**1,785**	**(1,136)**	**11,843**
Residential mortgage-backed securities	46	(6)	93	—	—	—	**46**	**(6)**	**93**
Commercial mortgage-backed securities	62	(14)	231	12	(5)	29	**74**	**(19)**	**260**
Collateralized debt securities	82	(50)	762	12	(1)	17	**94**	**(51)**	**779**
Total	**2,357**	**$ (1,098)**	**$ 13,203**	**291**	**$ (213)**	**$ 987**	**2,648**	**$ (1,311)**	**$ 14,190**

Allowance for Credit Losses

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices. Based on this evaluation, unrealized losses on bonds available-for-sale where an allowance for credit loss was not recorded were concentrated in the Company's available-for-sale fixed maturity securities within the transportation sector.

The rollforward of the allowance for credit losses for available-for-sale fixed maturity securities is shown below for the three months ended March 31, 2023. There were no accumulated credit losses on January 1, 2022 and no credit losses incurred during the three months ended March 31, 2022.

FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Total
Balance at January 1, 2023	$ (1)	$ (23)	$ (5)	**$ (29)**
Credit losses recognized on securities for which credit losses were not previously recorded	—	(1)	(5)	**(6)**
Reductions for securities sold during the period	1	12	2	**15**
Allowance on securities that had an allowance recorded in a previous period	—	(1)	(1)	**(2)**
Balance at March 31, 2023	**$ —**	**$ (13)**	**$ (9)**	**$ (22)**

No accrued interest receivables were written off as of March 31, 2023.

NOTE 4. EQUITY SECURITIES

The components of the change in net gains (losses) on equity securities recognized in net investment related gains (losses) on the statements of operations are shown below:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	2023	2022
Unrealized gains (losses) on equity securities	**$ (89)**	$ (50)
Net gains (losses) on equity securities	**$ (89)**	**$ (50)**

Equity securities by market sector distribution are shown below, based on fair value:

US$ MILLIONS	March 31, 2023	December 31, 2022
Consumer goods	**6.0 %**	5.0 %
Energy and utilities	**3.0 %**	3.0 %
Finance	**70.0 %**	66.0 %
Healthcare	**2.0 %**	5.0 %
Industrials	**1.0 %**	2.0 %
Information technology	**18.0 %**	14.0 %
Other	**— %**	5.0 %
Total	**100.0 %**	100.0 %

NOTE 5. MORTGAGE LOANS ON REAL ESTATE

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. Non-accrual balances are those more than 90 days past due. The age analysis of loans by property type is shown below:

AS AT MAR. 31, 2023 US$ MILLIONS	Current	Non-accrual	Total	Percentage
Apartment	$ 915	$ —	$ 915	15 %
Hotel	1,105	—	1,105	18 %
Industrial	1,059	—	1,059	18 %
Office	1,088	27	1,115	19 %
Parking	418	—	418	7 %
Retail	869	—	869	14 %
Storage	120	—	120	2 %
Other	414	—	414	7 %
Total	$ 5,988	$ 27	$ 6,015	100 %
Allowance for credit losses			(52)	
Total, net of allowance			$ 5,963	

AS AT DEC. 31, 2022 US$ MILLIONS	Current	Non-accrual	Total	Percentage
Apartment	$ 907	$ —	$ 907	15 %
Hotel	1,114	—	1,114	19 %
Industrial	1,050	—	1,050	18 %
Office	1,160	27	1,187	20 %
Parking	420	—	420	7 %
Retail	874	—	874	15 %
Storage	120	—	120	2 %
Other	257	—	257	4 %
Total	$ 5,902	$ 27	$ 5,929	100 %
Allowance for credit losses			(41)	
Total, net of allowance			$ 5,888	

Allowance for Credit Losses

The rollforward of the allowance for credit losses for mortgage loans is shown below:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Balance at January 1	**$ (41)**	$ (1)
Net changes in loan loss allowance	**(11)**	(2)
Balance at March 31	**$ (52)**	$ (3)

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below:

US$ MILLIONS	March 31, 2023 Asset Balance	March 31, 2023 Allowance	December 31, 2022 Asset Balance	December 31, 2022 Allowance
Apartment	**$ 915**	**$ (4)**	$ 907	$ (1)
Hotel	**1,105**	**(8)**	1,114	(6)
Industrial	**1,059**	**(4)**	1,050	(4)
Office	**1,115**	**(23)**	1,187	(17)
Parking	**418**	**(5)**	420	(6)
Retail	**869**	**(4)**	874	(4)
Storage	**120**	**—**	120	(2)
Other	**414**	**(4)**	257	(1)
Total	**$ 6,015**	**$ (52)**	$ 5,929	$ (41)

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by property type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below:

AS AT MAR. 31, 2023 US$ MILLIONS	Amortized Cost Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Total
Apartment	$ —	$ 359	$ 178	83	$ 126	$ 169	**$ 915**
Hotel	35	216	135	39	77	603	**1,105**
Industrial	—	290	172	185	120	292	**1,059**
Office	—	137	9	24	46	899	**1,115**
Parking	—	54	29	3	13	319	**418**
Retail	—	265	118	59	30	397	**869**
Storage	—	8	21	36	23	32	**120**
Other	143	134	45	—	17	75	**414**
Total	**$ 178**	**$ 1,463**	**$ 707**	**$ 429**	**$ 452**	**$ 2,786**	**$ 6,015**
Allowance for credit losses							**(52)**
Total, net of allowance							**$ 5,963**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At March 31, 2023, two commercial loans were past due over 90 days or in non-accrual status.

NOTE 6. REAL ESTATE AND REAL ESTATE PARTNERSHIPS

The carrying amount of investment real estate, net of accumulated depreciation, and real estate partnerships by property-type are as follows:

AS AT US$ MILLIONS, EXCEPT FOR PERCENTAGES	**March 31, 2023** Amount	**March 31, 2023** Percentage	December 31, 2022 Amount	December 31, 2022 Percentage
Hotel	**$ 87**	**8 %**	$ 77	7 %
Industrial	**162**	**15 %**	168	16 %
Land	**49**	**4 %**	48	5 %
Office	**289**	**26 %**	243	23 %
Retail	**211**	**19 %**	212	21 %
Apartments	**249**	**22 %**	254	25 %
Other	**60**	**6 %**	34	3 %
Total	**$ 1,107**	**100 %**	$ 1,036	100 %

The Company regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities ("VIEs"). In certain instances, in addition to an economic interest in the entity, the Company holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment. The Company has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs in March 31, 2023 or December 31, 2022.

The assets and liabilities relating to the VIEs included in the condensed consolidated financial statements are as follows:

US$ MILLIONS	**March 31, 2023**	December 31, 2022
Real estate and real estate partnerships	**$ 139**	$ 124
Available-for-sale fixed maturity securities	**478**	346
Equity securities, at fair value	**1**	84
Investment funds	**1,264**	1,175
Mortgage loan	**65**	44
Private loans	**560**	390
Cash and cash equivalents	**45**	153
Other assets	**93**	77
Total assets of consolidated VIEs	**$ 2,645**	$ 2,393
Notes payable	**184**	151
Other liabilities	**1,193**	2,230
Total liabilities of consolidated VIEs	**$ 1,377**	$ 2,381

The notes payable in the statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of the Company relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $10 million and $11 million at March 31, 2023 and December 31, 2022, respectively.

For other unconsolidated real estate partnership VIEs, the Company is not the primary beneficiary as major decisions impacting the economic activities of the VIE require consent from both partners. The Company accounts for its interests in such VIEs using the equity method when it has significant influence over the operating and financing policies of these investees. The carrying amount and maximum exposure to loss relating to these unconsolidated VIEs follows:

	March 31, 2023		December 31, 2022	
US$ MILLIONS	**Carrying Amount**	**Maximum Exposure to Loss**	Carrying Amount	Maximum Exposure to Loss
Real estate and real estate partnerships	**$ 307**	**$ 307**	$ 317	$ 317
Mortgage loans on real estate	**590**	**590**	601	601
Accrued investment income	**2**	**2**	2	2
Total	**$ 899**	**$ 899**	$ 920	$ 920

The Company's total investment in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships as at March 31, 2023 and December 31, 2022, was $1.8 billion and $1.7 billion, respectively.

NOTE 7. DERIVATIVE INSTRUMENTS

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, options, cross currency swaps, interest rate swaps and warrants. The Company purchases equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments for accounting purposes under GAAP. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity- indexed embedded derivative. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments. The Company does not invest in derivatives for speculative purposes. Please reference Note 2(k) for further information on derivative investments.

Foreign exchange forwards, options, cross currency swaps, interest rate swaps and warrants are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default.

Derivatives, except for embedded derivatives, are included in Other invested Assets or Other Liabilities, at fair value. Embedded derivative assets and liabilities on Modco arrangements and embedded derivative liabilities on indexed annuity and variable annuity products are included on the statements of financial position within the Reinsurance Funds Withheld, and Policyholders' Account Balances lines respectively, at fair value.

The detail of derivative instruments is shown below:

US$ MILLIONS **Derivatives not designated as hedging instruments**	**Primary underlying risk**	**Location in the Consolidated Statements of Financial Position**	**March 31, 2023** **Notional Amount**	**March 31, 2023 Gross Fair Value** **Assets**	**March 31, 2023 Gross Fair Value** **Liabilities**	December 31, 2022 Notional Amount	December 31, 2022 Gross Fair Value Assets	December 31, 2022 Gross Fair Value Liabilities
Equity-indexed options	Equity	Other invested assets	**$ 7,739**	**$ 222**	**$ —**	$ 7,452	$ 157	$ —
Foreign exchange forwards	Foreign Currency	Other invested assets	**2,220**	**24**	**(7)**	2,630	7	(12)
Bond futures	Interest Rate	Other invested assets	**1,777**	**19**	**—**	1,504	—	(25)
Cross currency swaps	Foreign Currency	Other invested assets	**17**	**1**	**—**	17	1	—
Interest rate swaps	Interest Rate	Other invested assets	**12**	**1**	**—**	15	1	—
Embedded derivatives in:								
Modco arrangement	Interest rate	Reinsurance funds withheld		**99**	**—**	—	151	—
Indexed annuity and variable annuity product	Interest rate	Policyholder account balances		**—**	**(965)**	—	—	(907)
			$ 11,765	**$ 366**	**$ (972)**	$ 11,618	$ 317	$ (944)

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS **Derivatives not designated as hedging instruments**	**Locations in the Consolidated Statements of Operations**	**Gains (Losses) Recognized in Income on Derivatives** **2023**	**Gains (Losses) Recognized in Income on Derivatives** 2022
Equity-indexed options	Investment related gains (losses), net	**$ 25**	$ —
Foreign exchange forwards	Investment related gains (losses), net	**(4)**	130
Bond futures	Investment related gains (losses), net	**15**	(3)
Embedded derivatives in:			
Modco arrangement	Net investment results from funds withheld	**(37)**	18
Indexed annuity and variable annuity product	Interest sensitive contract benefits	**4**	3

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government-backed assets. The non-performance risk is the net counterparty exposure based on fair value of open contracts less fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. A right of offset has been applied to collateral that supports credit risk and has been recorded in the condensed consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Information regarding the Company's exposure to credit loss on the derivatives it holds is presented below:

AS AT MAR. 31, 2023
US$ MILLIONS

Derivative Type	Derivative Fair Value	Collateral Held in Cash	Collateral Held in Invested Assets	Total Collateral Held	Collateral Amounts Used to Offset Exposure	Excess Collateral	Exposure Net of Collateral
Equity-indexed options	$ 222	$ 135	$ 21	$ 156	$ 156	$ —	$ 66
Foreign exchange forwards	17	—	—	—	—	—	17
Bond futures	19	—	—	—	—	—	19
Cross currency swaps	1	—	—	—	—	—	1
Interest rate swaps	1	—	—	—	—	—	1
	$ 260	**$ 135**	**$ 21**	**$ 156**	**$ 156**	**$ —**	**$ 104**

1. Our PRT business had $85 million collateral held in cash and invested assets at March 31, 2023 that are not offset against its derivative contracts.

AS AT DEC. 31, 2022
US$ MILLIONS

Derivative Type	Derivative Fair Value	Collateral Held in Cash	Collateral Held in Invested Assets	Total Collateral Held	Collateral Amounts Used to Offset Exposure	Excess Collateral	Exposure Net of Collateral
Equity-indexed options	$ 157	$ 101	$ 20	$ 121	$ 121	$ —	$ 36
Foreign exchange forwards	(5)	—	—	—	—	—	(6)
Bond futures	(25)	—	—	—	—	—	(25)
Cross currency swaps	1	—	—	—	—	—	1
Interest rate swaps	1	—	—	—	—	—	1
	$ 129	**$ 101**	**$ 20**	**$ 121**	**$ 121**	**$ —**	**$ 7**

1. Our PRT business had $81 million collateral held in cash and invested assets as at December 31, 2022 that are not offset against its derivative contracts.

NOTE 8. NET INVESTMENT INCOME AND REALIZED INVESTMENT GAINS

Net investment income is shown below:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	2023	2022
Available-for-sale fixed maturity securities	**$ 204**	$ 23
Equity securities	**1**	2
Mortgage loans	**73**	4
Private loans	**13**	7
Real estate and real estate partnerships	**19**	—
Investment funds	**19**	16
Short-term investments	**40**	—
Other invested assets	**31**	4
Total	**$ 400**	$ 56

Net unrealized and realized investment gains (losses) are shown below:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	2023	2022
Available-for-sale fixed maturity securities		
Change in allowance for credit losses and impairments	**$ 7**	$ —
Realized gains on disposals	**24**	89
Realized losses on disposals	**(59)**	(91)
Net gains (losses) on equity securities	**(89)**	(50)
Change in allowance for credit losses on mortgage loan	**(11)**	(1)
Change in fair value of other invested assets and short-term investments	**(14)**	(47)
Net gains (losses) on derivatives	**36**	128
Total investment related gains (losses), net	**$ (106)**	$ 28

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments are shown below:

US$ MILLIONS	March 31, 2023 Carrying Amount	March 31, 2023 Fair Value	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value
Financial assets				
Available-for-sale fixed maturity securities	**$ 16,565**	**$ 16,565**	$ 16,603	$ 16,603
Equity securities	**1,159**	**1,159**	1,253	1,253
Mortgage loans on real estate, net of allowance	**5,963**	**5,586**	5,888	5,637
Private loans	**1,199**	**1,056**	1,144	1,086
Investment funds	**1,757**	**1,757**	1,396	1,396
Policy loans	**376**	**376**	374	374
Real estate and real estate partnerships	**1,107**	**1,107**	1,036	1,036
Short-term investments	**2,635**	**2,635**	2,402	2,402
Separate account assets	**1,098**	**1,098**	1,045	1,045
Other invested assets:				
Derivative assets	**110**	**110**	44	44
Separately managed accounts	**128**	**128**	127	127
Other	**88**	**88**	40	40
Reinsurance funds withheld	**6,004**	**6,004**	5,806	5,806
Total financial assets	**$ 38,189**	**$ 37,669**	$ 37,158	$ 36,849
Financial liabilities				
Policyholders' account balances – embedded derivative	**$ 965**	**$ 965**	$ 907	$ 907
Market risk benefits	**119**	**119**	124	124
Other liabilities:				
Derivative liabilities	**7**	**7**	38	38
Funds withheld liabilities	**10**	**10**	10	10
Notes payable	**184**	**184**	151	151
Corporate and Subsidiary Borrowings	**3,542**	**3,528**	3,652	3,625
Separate account liabilities	**1,098**	**1,098**	1,045	1,045
Total financial liabilities	**$ 5,925**	**$ 5,911**	$ 5,927	$ 5,900

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. The Company has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect The Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation

Valuation Techniques for Financial Instruments Recorded at Fair Value

Available-for-sale Fixed Maturity Securities and Equity Options — The Company utilizes pricing services to estimate fair value measurements. The fair value for available-for-sale fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most available-for-sale fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for available-for-sale fixed maturity securities that have quoted prices in active markets. Since available-for-sale fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

The Company has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant's assumptions. The Company does not adjust quotes received from the pricing service. The pricing service utilized by The Company has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

The Company holds a small amount of private placement debt and available-for-sale fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent pricing source (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, the Company includes these fair value estimates in Level 3.

For securities priced using a quote from an independent pricing source, such as the equity-indexed options and certain available-for-sale fixed maturity securities, The Company uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities — For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for available-for-sale fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. The Company tests the accuracy of the information provided by reference to other services annually.

Short-term Investments — Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Separate Account Assets and Liabilities — Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of The Company. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. The Company reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from The Company's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, The Company's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the condensed consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of The Company.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and available-for-sale fixed maturity. Equity securities are classified as Level 1 measurements. Short-term investments and available-for-sale fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investment funds, accrued investment income, and receivables for securities. These are not included in the quantitative disclosures of fair value hierarchy table.

No gains or losses were recognized on assets transferred to separate accounts for the three months ended March 31, 2023 and 2022, respectively.

Reinsurance Funds Withheld — Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Market Risk Benefits are classified as Level 3 fair value measurements as the fair value is based on unobservable inputs. The key assumptions for calculating the fair value of the MRBs are market assumptions such as equity market returns, interest rate levels, market volatility and correlations and policyholder behavior assumptions such as lapse, mortality, utilization and withdrawal patterns. Risk margins are included in the policyholder behavior assumptions. The assumptions are based on a combination of historical data and actuarial judgment. The MRBs are valued using stochastic models that incorporate a spread reflecting our nonperformance risk.

Derivative Assets/Derivative Liabilities

- Foreign currency forward contracts — discounted cash flow model — forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate.
- Interest rate contracts - discounted cash flow model - forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.

- Warrants – intrinsic value based on the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.

Embedded Derivatives — The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract's surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.
- Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index.

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

AS AT MAR. 31, 2023 US$ MILLIONS	Fair Value March 31, 2023	 December 31, 2022	Unobservable Input
Embedded derivative			
Indexed Annuities and indexed life	$ 965	$ 907	Lapse Rate
			Mortality Multiplier
			Equity Volatility

Funds withheld liabilities— Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

The fair value hierarchy measurements of the financial instruments are shown below:

US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level at March 31, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 115	$ 41	$ 74	$ —
U.S. states and political subdivisions	839	—	839	—
Foreign governments	375	—	375	—
Corporate debt securities	13,744	—	12,200	1,544
Residential mortgage-backed securities	125	—	125	—
Commercial mortgage-backed securities	403	—	403	—
Collateralized debt securities	964	—	600	364
Total available-for-sale fixed maturity securities	**16,565**	**41**	**14,616**	**1,908**
Equity securities				
Common stock	996	878	—	118
Preferred stock	96	56	—	40
Private equity and other	67	—	—	67
Total equity securities	**1,159**	**934**	**—**	**225**
Short-term investments	2,635	1,096	—	1,539
Separate account assets	1,059	336	723	—
Other invested assets:				
Derivative assets	109	19	79	11
Reinsurance funds withheld	6,004	—	6,004	—
Total financial assets	**$ 27,531**	**$ 2,426**	**$ 21,422**	**$ 3,683**
Financial liabilities				
Policyholders' account balances – embedded derivative	965	—	181	784
Market risk benefit	119	—	—	119
Other liabilities:				
Derivative liabilities	7	—	7	—
Funds withheld liabilities	10	—	10	—
Separate account liabilities	1,059	336	723	—
Total Financial liabilities	**$ 2,160**	**$ 336**	**$ 921**	**$ 903**

US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 110	$ 40	$ 70	$ —
U.S. states and political subdivisions	855	—	855	—
Foreign governments	318	—	318	—
Corporate debt securities	13,778	—	13,045	733
Residential mortgage-backed securities	127	—	127	—
Commercial mortgage-backed securities	408	—	408	—
Collateralized debt securities	1,007	—	561	446
Total available-for-sale fixed maturity securities	**16,603**	**40**	**15,384**	**1,179**
Equity securities				
Common stock	1,156	989	—	167
Preferred stock	75	36	—	39
Private equity and other	22	—	—	22
Total equity securities	**1,253**	**1,025**	**—**	**228**
Short-term investments	2,402	1,160	—	1,242
Separate account assets	1,013	314	699	—
Other invested assets:				
Derivative assets	44	—	43	1
Reinsurance funds withheld	5,806	—	5,806	—
Total financial assets	**$ 27,121**	**$ 2,539**	**$ 21,932**	**$ 2,650**
Financial liabilities				
Policyholders' account balances – embedded derivative	907	—	181	726
Market risk benefit	124	—	—	124
Other liabilities:				
Derivative liabilities	38	25	13	
Funds withheld liabilities	10	—	10	—
Separate account liabilities	1,013	314	699	—
Total Financial liabilities	**$ 2,092**	**$ 339**	**$ 903**	**$ 850**

There were no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. The Company's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions.

Equity-Index Options — Certain over the counter equity options are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Available-for-sale fixed maturity Securities — These bonds use cost as the best estimate of fair value. They are valued at cost because the value would not change unless there is a fundamental deterioration in the portfolio. There is no observable market valuation price or third-party sources that provide market values for these securities since they are not publicly traded. The common and preferred stock are valued at market transaction, option pricing method, or guideline public company method based on the best available information.

Separately Managed Accounts — The separately managed account manager uses the mid-point of a range from a third-party to price these securities. Discounted cash flows (yield analysis) and market transactions approach are used in the valuation. They use discount rates which is considered an unobservable input.

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair value is discussed below:

Mortgage Loans — The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property-type, lien priority, payment type and current status.

Separately Managed Accounts — The amounts reported in separately managed accounts consist primarily of notes and private equity. These investments are private placements and do not have a readily determinable fair value. The carrying value of the separately managed accounts is cost or market value, if available from the separately managed account manager. Market value is provided by the separately managed account manager in subsequent quarters. The Company believes that cost approximates fair value at initial recognition during the quarter of investment.

Policy Loans — The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, as such the carrying value of policy loans approximates fair value.

Corporate and Subsidiary Borrowings — Corporate and Subsidiary Borrowings are carried at outstanding principal balance. The carrying value approximates fair value because the carrying value represents the amount owing and payable to the creditor at the balance sheet date.

Notes Payable — Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below:

AS AT MAR. 31, 2023 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,963	$ 5,586
Private loans, net of allowance	3	1,199	1,056
Policy loans	3	376	376
Separately managed accounts	3	128	128
Other invested assets, excluding derivatives and separately managed accounts	3	88	88
Total financial assets		**$ 7,754**	**$ 7,234**
Financial liabilities			
Corporate and Subsidiary Borrowings	3	$ 3,542	$ 3,528
Notes payable	3	184	184
Total financial liabilities		**$ 3,726**	**$ 3,712**

AS AT DEC. 31, 2022 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,888	$ 5,637
Private loans, net of allowance	3	1,144	1,086
Policy loans	2	374	374
Separately managed accounts	3	127	127
Other invested assets, excluding derivatives and separately managed accounts	3	40	40
Total financial assets		**$ 7,573**	**$ 7,264**
Financial liabilities			
Corporate and Subsidiary Borrowings	3	$ 3,652	$ 3,625
Notes payable	3	151	151
Total financial liabilities		**$ 3,803**	**$ 3,776**

For financial instruments measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below:

FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	Assets Investment Securities	 Derivative Assets
Beginning balance	$ 2,649	$ 1
Net gain included in net investment income	1	(11)
Net change included in interest sensitive contract benefits		
Net fair value change included in other comprehensive income	77	—
Purchases, sales and settlements or maturities		
Purchases	1,256	30
Sales	(311)	—
Settlements or maturities	—	(9)
Premiums less benefits	—	—
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance at March 31, 2023	**$ 3,672**	**$ 11**

FOR THE THREE MONTHS ENDED MAR. 31, 2022 US$ MILLIONS	Assets Investment Securities
Beginning balance	$ 107
Net gain included in net investment income	—
Net change included in interest sensitive contract benefits	—
Net fair value change included in other comprehensive income	1
Ending balance at March 31, 2022	**$ 108**

The following summarizes the fair value, valuation techniques and unobservable inputs of the Level 3 fair value measurements:

Type of Asset	Valuation Techniques	Significant Unobservable Inputs
Equity-index Option	Heston and Black-Scholes Valuation models	• Interest rate (risk-free rate assumptions) • Underlying equity quoted index prices
Available-for-sale fixed maturity securities	Corporate debt securities • Discounted cash flows (yield analysis) • Income approach • Price at cost	Corporate debt securities • Contractual cash flows • Duration • Call provisions • Weighted-average life • Risk premium • Coupon rate
	Collateralized debt securities • Broker quotes • Income approach	Collateralized debt securities • Contractual cash flows • Weighted-average coupon and maturity • Collateral type • Loss severity • Geography
Common shares, preferred shares and private equity	• Broker quotes • Income approach • Current Value Method ("CVM") • Guideline public company method[1]	• Security structure • Last Twelve Months ("LTM") Revenue Multiple[3] • Next Calendar Year ("NCY") Revenue Multiple[5] • NCY +1 EBITDA Multiple[4] • LTM EBITDA Multiple[2]
Separately managed accounts	Common Stock and Warrants • Guideline public company method uses price multiples from data on comparable public companies. • Option pricing method • CVM	Common Stock and Warrants • NCY Multiple • NCY +1 EBITDA Multiple[4] • LTM Revenue Multiple[3] • LTM EBITDA Multiple[2] • Term • Volatility • Discount for lack of marketability ("DLOM")
	Preferred Stock • Guideline public company method uses price multiples from data on comparable public companies. • CVM	Preferred Stock • NCY Revenue Multiple[5] • NCY +1 EBITDA Multiple[4] • LTM Revenue Multiple[3] • LTM EBITDA Multiple[2]
	Fixed Income • Discounted cash flows (yield analysis) • market transactions approach • CVM • Cost	Fixed Income • Discount rate • NCY EBITDA

1. Guideline public company method uses price multiples from data on comparable public companies. Multiples are then adjusted to account for differences between what is being valued and comparable firms.
2. Last Twelve Months (“LTM”) EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12-month period.
3. LTM Revenue Multiple valuation metric shows revenue for the past 12-month period.
4. Next Calendar Year (“NCY”) EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.
5. NCY Revenue forecast revenue over the next calendar year.

NOTE 10. REINSURANCE

NER SPC and NER Ltd. are the reinsurers of the Company's operation. The reinsurance transactions are majorly structured as Modco arrangements with reinsurance funds withheld.

The following table summarized the Company's reinsurance funds withheld, deposit liability, policyholders' account balances and embedded derivatives by accounting classification related to its reinsurance business.

AS AT MAR. 31, 2023 US$ MILLIONS	Deposit accounting	Interest sensitive investment type	Total
Asset			
Reinsurance funds withheld, net	$ 1,600	$ 4,305	$ 5,905
Embedded derivatives	17	82	99
Liability			
Policyholders' account balance	$ —	$ 6,057	$ 6,057
Embedded derivatives	—	181	181
Deposit liability	1,643	—	1,643

AS AT DEC. 31, 2022 US$ MILLIONS	Deposit accounting	Interest sensitive investment type	Total
Asset			
Reinsurance funds withheld, net	$ 1,603	$ 4,049	$ 5,652
Embedded derivatives	17	137	154
Liability			
Policyholders' account balance	$ —	$ 5,651	$ 5,651
Embedded derivatives	—	181	181
Deposit liability	1,657	—	1,657

The Company reinsures its business through a diversified group of reinsurers. However, the Company remains liable to the extent its reinsurers do not meet their obligations under the reinsurance agreements. The Company monitors trends in arbitration and any litigation outcomes with its reinsurers. Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers.

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Premiums:		
Direct premiums	**$ 1,087**	$ 109
Reinsurance ceded	**(287)**	—
Net premiums	**800**	109
Claims and policyholder benefits:		
Claims incurred and benefits paid	**840**	86
Reinsurance ceded	**(98)**	19
Net claims incurred and benefits paid	**$ 742**	$ 105

NOTE 11. SEPARATE ACCOUNT ASSETS AND LIABILITIES

The following table presents the change of the Company's separate account assets and liabilities:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	2023
Balance, beginning of period	**$ 1,045**
Additions (deductions)	
Policyholder deposits	**21**
Net investment income	**9**
Net realized capital gains on investments	**52**
Policyholder benefits and withdrawals	**(25)**
Net transfer to or from separate account	**(1)**
Policy charges	**(3)**
Total changes	**53**
Balance, end of period	**$ 1,098**

There were no separate account assets and liabilities for the prior year quarter ended March 31, 2022.

NOTE 12. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The following table presents a rollforward of deferred acquisition costs and value of business acquired for the periods indicated:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ 668	$ 927	**$ 1,595**
Additions	176	79	**255**
Amortization	(132)	(15)	**(147)**
Net change	44	64	**108**
Balance, end of period	**$ 712**	**$ 991**	**$ 1,703**

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022 US$ MILLIONS	Reinsurance	Total
Balance, beginning of period	$ 710	**$ 710**
Additions	40	**40**
Amortization	(12)	**(12)**
Net change	28	**28**
Balance, end of period	**$ 738**	**$ 738**

On May 25, 2022, American National was acquired by a wholly-owned subsidiary of the Company. The acquisition of American National resulted in a VOBA intangible asset of $522 million and an intangible liability of $884 million. The accumulated amortization expense of VOBA is approximately $141 million. The following table presents a rollforward of VOBA for the periods indicated:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	VOBA Asset	VOBA Liability
Balance, beginning of period	$ 404	$ 884
Amortization	(37)	(13)
Balance, end of period	**$ 367**	**$ 871**

The following table provides the projected VOBA amortization expenses for a five-year period and thereafter:

Years	VOBA Asset	VOBA Liability
2023	$ 71	$ 53
2024	31	51
2025	28	48
2026	25	46
2027	23	43
Thereafter	226	643
Total amortization expense (credit)	**$ 404**	**$ 884**

NOTE 13. ACQUISITION OF BUSINESS

On May 25, 2022, the Company acquired American National. American National offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Under the terms of the Merger Agreement, the Company acquired 100% of all American National issued and outstanding shares in exchange for $190 per share, which is equivalent to $5.1 billion. The consideration was all cash. The company acquired all assets and assumed all liabilities of American National as of the closing date, and consolidates the business for financial statement purposes. As part of re-assessing the provisional valuations of certain assets, such as intangible assets and goodwill, and certain liabilities, an adjustment was made to reflect the final value of one of our insurance products, with an increase to deferred tax asset and future policy benefits of $5 million and $4 million, respectively, as well as a decrease of $20 million to deferred policy acquisition costs, with a corresponding increase to goodwill for $19 million. The valuation will be finalized in the second quarter of 2023. The updated fair value of assets acquired and liabilities as of March 31, 2023 assumed are as follows:

Total consideration transferred for the acquisition	$ 5,107
Assets acquired	
Cash and cash equivalents	1,021
Investments	22,519
Accrued investment income	101
Reinsurance recoverables	45
Premiums due and other receivables	437
Deferred tax assets	374
Property and equipment	175
Prepaid pension	149
Equity accounted investment	1,402
Deferred acquisition costs and value of business acquired	551
Reinsurance assets	410
Investment properties	541
Other assets	198
Separate account assets	1,123
Total assets acquired	**29,046**
Liabilities assumed	—
Future policy benefits	5,337
Policyholders' account balances	13,880
Policy and contract claims	1,706
Unearned premium reserve	1,073
Other policyholder funds	324
Notes payable	158
Other liabilities	449
Separate account liabilities	1,123
Total liabilities assumed	**24,050**
Less: Non-controlling interest	(10)
Net assets acquired	**4,986**
Goodwill	**$ 121**

NOTE 14. FUTURE POLICY BENEFITS

The reconciliation of the balances described int the table below to the future policy benefits in the statements of financial position is as follows.

AS AT MAR. 31, 2023 AND DEC. 31, 2022 US$ MILLIONS	**2023**	2022
Liability of future policy benefits		
Direct Insurance	**3,418**	3,136
Pension Risk Transfer	**3,045**	2,998
Deferred profit liability		
Direct Insurance	**33**	24
Pension Risk Transfer	**163**	109
Other contracts and VOBA	**1,690**	1,699
Total future policy benefits	**$ 8,349**	$ 7,966

a. Future Policy Benefits

The balances and changes in the liability for future policy benefits are as follows:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Present value of Expected Net Premiums			
Balance at current discount rate, beginning of period	$ 3,773	$ —	**$ 3,773**
Beginning balance at original discount rate	4,087	—	**4,087**
Effect of changes in cash flow assumptions	12	—	**12**
Effect of actual variances from expected experience	(14)	—	**(14)**
Adjusted beginning of period balance	4,085	—	**4,085**
Issuances	194	—	**194**
Interest accrual	28	—	**28**
Net premiums collected	(254)	—	**(254)**
Ending balance at original discount rate	4,053	—	**4,053**
Effect of changes in discount rate assumptions	(182)	—	**(182)**
Balance, end of period	**$ 3,871**	**$ —**	**$ 3,871**
Present value of Expected Future Policy Benefits			
Balance at current discount rate, beginning of period	$ 6,909	$ 2,964	**$ 9,873**
Beginning balance at original discount rate	7,546	3,327	**10,873**
Effect of changes in cash flow assumptions	12	(11)	**1**
Effect of actual variances from expected experience	(13)	(14)	**(27)**
Adjusted beginning of period balance	7,545	3,302	**10,847**
Issuances	193	21	**214**
Interest accrual	52	21	**73**
Benefit payments	(120)	(66)	**(186)**
Ending balance at original discount rate	7,670	3,278	**10,948**
Effect of changes in discount rate assumptions	(370)	(257)	**(627)**
Balance, end of period	**7,300**	**3,021**	**10,321**
Net liability for future policy benefits	3,428	3,189	**6,617**
Less: Reinsurance recoverables	(59)	(139)	**(198)**
Net liability for future policy benefits, after reinsurance recoverable	**$ 3,369**	**$ 3,050**	**$ 6,419**

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022 US$ MILLIONS	Pension Risk Transfer	Total
Present value of Expected Future Policy Benefits		
Balance at current discount rate, beginning of period	$ 2,190	**$ 2,190**
Beginning balance at original discount rate	2,114	**2,114**
Effect of changes in cash flow assumptions	—	**—**
Effect of actual variances from expected experience	(15)	**(15)**
Adjusted beginning of period balance	2,099	**2,099**
Issuances	109	**109**
Interest accrual	11	**11**
Benefit payments	(34)	**(34)**
Ending balance at original discount rate	2,185	**2,185**
Effect of changes in discount rate assumptions	(116)	**(116)**
Balance, end of period	2,069	**2,069**
Net liability for future policy benefits	2,069	**2,069**
Less: Reinsurance recoverables	(113)	**(113)**
Net liability for future policy benefits, after reinsurance recoverable	**$ 1,956**	**$ 1,956**

As at March 31, 2022, there was no present value of expected net premiums.

AS AT MAR. 31, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer
Weighted-average liability duration of the liability for future policy benefits (years)	13	9

AS AT MAR. 31, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer
Weighted-average liability duration of the liability for future policy benefits (years)	—	10

The amount of undiscounted expected gross premiums and expected future benefit payments follows:

AS AT MAR. 31 US$ MILLIONS	2023	2022
Direct Insurance		
Expected future benefit payments	**$ 14,880**	$ —
Expected future gross premiums	**9,524**	—
Pension Risk Transfer		
Expected future benefit payments	**4,936**	3,177
Expected future gross premiums	**—**	—
Total		
Expected future benefit payments	**19,816**	3,177
Expected future gross premiums	**9,524**	—

The amount of revenue and interest recognized in the statements of operations follows:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	Gross Premiums or Assessments		Interest Expense	
	2023	2022	2023	2022
Direct Insurance	**$ 287**	$ —	**$ 23**	$ —
Pension Risk Transfer	**21**	109	**—**	—

The weighted-average interest rate follows:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	2023	2022
Direct Insurance		
Interest accretion rate	**5 %**	— %
Current discount rate	**5 %**	— %
Pension Risk Transfer		
Interest accretion rate	**4 %**	3 %
Current discount rate	**5 %**	1 %

b. Deferred Profit Liability

For limited-pay products, gross premiums received in excess of net premiums are deferred at initial recognition as deferred profit liability ("DPL"). The assumptions and reflection of experience for DPL will be consistent with those used in the liability for future policy benefits, including the remeasurement methodology. The discount rate used in calculating DPL will be consistent with the locked-in rate used for the liability for future policy benefits.

DPL is amortized in income on a constant basis in relation with benefit payments. For life contingent payout annuities DPL is amortized over expected future benefit payments.

For limited payment traditional life permanent contracts, DPL is amortized over face amount for limited payment traditional life permanent contracts.

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of period, at locked-in discount rate	$ 24	$ 158	**$ 182**
Effect of changes in cash flow assumptions	—	10	**10**
Effect of actual variances from expected experience	(1)	14	**13**
Adjusted beginning of period balance	23	182	**205**
Profits deferred	10	—	**10**
Interest accrual	—	2	**2**
Amortization	—	(2)	**(2)**
Balance, end of period, at locked-in discount rate	**$ 33**	**$ 182**	**$ 215**

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022 US$ MILLIONS	Pension Risk Transfer	Total
Balance, beginning of period, at locked-in discount rate	$ 131	**$ 131**
Effect of changes in locked-in discount rate	—	**—**
Effect of changes in cash flow assumptions	—	**—**
Effect of actual variances from expected experience	(1)	**(1)**
Adjusted beginning of period balance	130	**130**
Issuances	2	**2**
Interest accrual	2	**2**
Amortization	(1)	**(1)**
Balance, end of period, at locked-in discount rate	**$ 133**	**$ 133**

NOTE 15. POLICYHOLDERS' ACCOUNT BALANCES

Policyholders' account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances follow.

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ 13,949	$ 5,833	**$ 19,782**
Issuances	596	32	**628**
Premiums received	103	408	**511**
Policy charges	(93)	(8)	**(101)**
Surrenders and withdrawals	(516)	(55)	**(571)**
Interest credited	159	3	**162**
Other	(8)	25	**17**
Balance, end of period	**$ 14,190**	**$ 6,238**	**$ 20,428**

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022 US$ MILLIONS	Reinsurance	Total
Balance, beginning of year	$ 4,677	**$ 4,677**
Issuances	14	**14**
Premiums received	210	**210**
Policy charges	(6)	**(6)**
Surrenders and withdrawals	(68)	**(68)**
Interest credited	18	**18**
Other	(38)	**(38)**
Balance, end of year	**$ 4,807**	**$ 4,807**

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the statements of financial position follow.

AS AT MAR. 31, 2023 AND DEC. 31, 2022 US$ MILLIONS	2023	2022
Direct Insurance	**$ 14,546**	$ 14,310
Reinsurance	**6,238**	5,831
Total	**$ 20,784**	$ 20,141

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums follow.

AS AT MAR. 31, 2023 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Total
Direct Insurance	1% - 2%	$ 4,310	$ 488	$ 2,692	$ 2,295	**$ 9,785**
	2% - 3%	1,575	546	346	550	**3,017**
	Greater than 3%	608	13	4	16	**641**
	Total	$ 6,493	$ 1,047	$ 3,042	$ 2,861	**$ 13,443**
Reinsurance	0.5% - 0.75%	$ —	$ 470	$ 206	$ 7	**$ 683**
	0.75% - 1%	—	—	—	—	**—**
	Greater than 1%	—	—	14	—	**14**
	Total	$ —	$ 470	$ 220	$ 7	**$ 697**

AS AT MAR. 31, 2022 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Total
Reinsurance	0.5% - 0.75%	$ —	$ 292	$ 175	$ —	**$ 467**

NOTE 16. MARKET RISK BENEFITS

The net balance of market risk benefit asset and liabilities of and changes in guaranteed minimum withdrawal benefits associated with annuity contracts follow.

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Beginning balance before effect of changes in the instrument-specific credit risk	$ 44	$ 70	**$ 114**
Effect of changes in the beginning instrument-specific credit risk	26	(28)	**(2)**
Attributed fees collected	2	6	**8**
Interest accrual	1	1	**2**
Adjustment from deterministic to stochastic	5	1	**6**
Effect of experience variance	(3)	—	**(3)**
Effect of changes in financial assumptions	(1)	(17)	**(18)**
Effect of changes in the ending instrument-specific credit risk	(18)	10	**(8)**
Others	—	11	**11**
Ending balance, net	56	54	**110**
Reinsurance recoverable, end of period	—	—	**—**
Balance, end of period, net of reinsurance	**$ 56**	**$ 54**	**$ 110**

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022 US$ MILLIONS	Reinsurance	Total
Beginning balance before effect of changes in the instrument-specific credit risk	$ 66	**$ 66**
Effect of changes in the beginning instrument-specific credit risk	(1)	**(1)**
Attributed fees collected	5	**5**
Effect of experience variance	6	**6**
Effect of changes in financial assumptions	(22)	**(22)**
Effect of changes in the ending instrument-specific credit risk	8	**8**
Ending balance, net	62	**62**
Reinsurance recoverable, end of period	—	**—**
Balance, end of period, net of reinsurance	**$ 62**	**$ 62**

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the market risk benefits amount in the statements of financial position follows.

AS AT MAR. 31, 2023 AND DEC. 31, 2022 US$ MILLIONS	**2023**			2022		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Direct insurance	$ 9	$ 67	$ 58	$ 10	$ 54	$ 44
Reinsurance	—	52	52	—	70	70
Total	**$ 9**	**$ 119**	**$ 110**	**$ 10**	**$ 124**	**$ 114**

NOTE 17. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the statements of financial position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the statements of operations in the year in which the changes occur. The time value of money is not taken into account for the purpose of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	2023
Unpaid claims balance, beginning	$ 1,569
Less: Reinsurance recoverables	306
Net beginning balance	1,263
Incurred related to	
Current	375
Prior years	(11)
Total incurred claims	364
Paid claims related to	
Current	108
Prior years	230
Total paid claims	338
Net balance	1,289
Plus: Reinsurance recoverables	300
Unpaid claims balance, ending	**$ 1,589**

The net and gross reserve calculations have shown favourable development as a result of favourable loss emergence compared to what was implied by the loss development patterns used in the original estimation of losses in prior years. The estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately $10 million during the first three months of 2023 and decreased $6 million during the same period in 2022. The favorable development in 2023 was a reflection of lower-than-anticipated losses arising from agribusiness, business owners, commercial automotive, and commercial other lines of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at March 31, 2023 and December 31, 2022 was $16 million and $16 million respectively.

NOTE 18. CORPORATE AND SUBSIDIARY BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $500 million. The credit facilities bear interest at the specified SOFR, CDOR, or bankers' acceptance rate plus a spread and have a maturity date of June 2027. As at March 31, 2023, $296 million was drawn on the bilateral credit facilities.

The Company has a $1.0 billion 364-day revolving credit facility for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at March 31, 2023, the facility had $753 million outstanding.

In April 2022, the Company entered into a $1.0 billion 364-day secured facility. As at March 31, 2023, the facility was fully drawn.

The facilities require the Company to maintain a minimum net worth covenant. As at March 31, 2023, the Company was in compliance with its financial covenants.

The Company also has a revolving credit facility with Brookfield that, as at March 31, 2023, permitted borrowings of up to $400 million. As at March 31, 2023, there were no amounts drawn on the facility.

Subsidiary borrowings of $1.5 billion relate to debt issued at American National. $1.0 billion matures in 2027 and the remaining $500 million matures in 2032.

NOTE 19. INCOME TAXES

For the three months ended March 31, 2023, the effective tax rate on pre-tax income was a recovery of 10.1%. The Company's effective tax rate differed from the statutory tax rate of 17% primarily due to international operations subject to different tax rates.

For the three months ended March 31, 2022, the effective tax rate on pre-tax income was 3.3%. The Company's effective tax rate differed from the statutory tax rate of 16.4% primarily due to international operations subject to different tax rates.

NOTE 20. SHARE CAPITAL

As at March 31, 2023 and December 31, 2022, the Company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $33.63 per share;

ii. 500,000,000 Exchangeable Class A-1 Limited Non-Voting Shares with a par value of $33.63 per share;

iii. 500,000 Class B Limited Voting Shares with a par value of $33.63 per share;

iv. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;

v. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;

vi. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;

vii. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;

viii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the Company as at March 31, 2023 and December 31, 2022 comprises the following:

	March 31, 2023		December 31, 2022	
	Number of shares	Value	Number of shares	Value
Issued				
Class A exchangeable shares	**10,450,952**	**$ 449**	9,594,989	$ 422
Class B shares	**24,000**	**1**	24,000	1
Class C shares	**41,314,891**	**1,477**	40,934,623	1,467
Class A junior preferred shares	**100,460,280**	**2,607**	100,460,280	2,580

At March 31, 2023, there were $95 million of accrued dividends on Class A junior preferred shares (December 31, 2022 – $68 million).

The movement of shares issued and outstanding is as follows:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023	Class A junior preferred shares	Class A exchangeable shares	Class B shares	Class C shares
Outstanding, beginning of period	100,460,280	9,594,989	24,000	40,934,623
Issued (Repurchased)				
Issuances	—	1,165,000	—	380,268
Repurchases	—	(309,037)	—	—
Outstanding, end of period	**100,460,280**	**10,450,952**	**24,000**	**41,314,891**

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022	Class A exchangeable shares	Class B shares	Class C shares
Outstanding, beginning of period	10,877,989	24,000	23,544,548
Issued (Repurchased)			
Issuances	—	—	—
Repurchases	—	—	—
Outstanding, end of period	**10,877,989**	**24,000**	**23,544,548**

On March 3, 2023, the Company issued 915,000 class A exchangeable shares in exchange for 915,000 class A shares of Brookfield.

On March 3, 2023, the Company converted 309,037 class A exchangeable shares for $12 million into 380,268 class C shares.

On March 14, 2023, the Company issued 250,000 class A exchangeable shares in exchange for 250,000 class A shares of Brookfield.

NOTE 21. EARNINGS PER SHARE

The components of basic earnings per share are summarized in the following table:

FOR THE THREE MONTHS ENDED MAR. 31 (MILLIONS), EXCEPT PER SHARE AMOUNTS	**2023**	2022
Net income (loss) for the period	**$ (93)**	$ 156
Dividends on Class A junior preferred shares	**(28)**	—
	(121)	156
Attributable to:		
Class A exchangeable and Class B shareholders	**1**	2
Class C shareholders	**(127)**	154
Non-controlling interests	**5**	—
Weighted average shares – Class C shares	**41,052,929**	23,544,548
Earnings per share per class C share - basic	**$ (3.09)**	$ 6.54

NOTE 22. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of and changes in the accumulated other comprehensive income ("AOCI"), and the related tax effects, are shown below:

FOR THE THREE MONTHS ENDED MAR. 31, 2023 US$ MILLIONS	Unrealized Appreciation (Depreciation) on Available for Sale Securities[1]	Defined benefit pension plan adjustment[2]	Change in instrument specific credit risk for market risk benefit[3]	Change in discount rate for liability for future policyholder[4]	Total
Balance at January 1, 2023	**$ (1,205)**	**$ (9)**	**$ 3**	**$ 651**	**$ (560)**
Other comprehensive income (loss) before reclassifications	405	1	12	(178)	**240**
Other	3	—	—	—	**3**
Balance at March 31, 2023	**$ (797)**	**$ (8)**	**$ 15**	**$ 473**	**$ (317)**

FOR THE THREE MONTHS ENDED MAR. 31, 2022 US$ MILLIONS	Equity Accounted	Unrealized Appreciation (Depreciation) on Available for Sale Securities[1]	Defined benefit pension plan adjustment[2]	Change in instrument specific credit risk for market risk benefit[3]	Change in discount rate for liability for future policyholder[4]	Total
Balance at January 1, 2022	**$ (4)**	**$ 35**	**$ —**	**$ (1)**	**$ (72)**	**$ (42)**
Other comprehensive income (loss) before reclassifications	(17)	(271)	—	(6)	206	**(88)**
Other	—	—	—	—	—	**—**
Balance at March 31, 2022	**$ (21)**	**$ (236)**	**$ —**	**$ (7)**	**$ 134**	**$ (130)**

1. To be reclassed to "Investment related gains (losses), net"
2. To be reclassed to "Operating expenses"
3. To be reclassed to "Change in fair value of market risk benefit"
4. To be reclassed to "Claims and policyholder benefits"

NOTE 23. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties.

a) Brookfield Reinsurance agreements

The Company has an outstanding equity commitment in the amount of $2.0 billion from Brookfield to fund future growth, which the Company may draw on from time to time. As of March 31, 2023, there were no amounts drawn under the equity commitment.

In 2021, the Company entered into a credit agreement with Brookfield (the "Brookfield Credit Agreement") as lender for a three-year revolving credit facility which subsequently increased to $400 million in March 2022. As of March 31, 2023, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

The following table reflects the related party agreements and transactions for the three months ended March 31 in the statements of operations:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Credit agreement fees with Brookfield	**$ —**	$ —
Support agreement fees with Brookfield	**—**	—
Rights agreement fees to Brookfield	**—**	—
Administration fees with Brookfield	**1.7**	0.3
Investment management fees to Brookfield Asset Management	**14.6**	3.9
Brookfield licensing agreement fees	**—**	—
Outsourcing fees paid to Brookfield	**0.7**	0.2
Outsourcing arrangements payable	**0.3**	0.1

b) Other related party transactions

On March 10, 2020, BAC entered into lease and building service arrangements with Brookfield Properties (Canada) Inc. and BPO Ontario Properties Ltd. (collectively, "BPO"), subsidiaries of Brookfield. The amount paid to BPO for the leased office facilities and building maintenance for the three months ended March 31, 2023 totaled $0.2 million (March 31, 2022 – $0.1 million). As at March 31, 2023, lease liabilities relating to this arrangement were $1 million (March 31, 2022 – $2 million).

During the period, subsidiaries of the Company purchased investments of $0.6 billion from Brookfield and its subsidiaries. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

The Company had $714 million of cash on deposit with wholly-owned subsidiaries of Brookfield as at March 31, 2023 (March 31, 2022 – $10 million).

NOTE 24. SEGMENT REPORTING

The Company's operations are organized into three operating segments: Reinsurance, Direct Insurance and PRT. These segments are regularly reviewed by the Company's chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and to assess its performance.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("Distributable Operating Earnings", or "DOE").

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies and change in market risk benefits, and is inclusive of our share of adjusted earnings from our investments in certain associates. DOE allows the CODM to evaluate the Company's segments on the basis of return on invested capital generated by its operations and allows the Company to evaluate the performance of its segments.

The tables below provide each segment's results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE THREE MONTHS ENDED MAR. 31, 2023 (MILLIONS)	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 722	$ —	$ 175	**$ 897**
Other net investment income, including funds withheld	309	79	43	**431**
Segment revenues	1,031	79	218	**1,328**
Policyholder benefit, net	(506)	—	(197)	**(703)**
Other insurance and reinsurance expenses	(236)	(54)	(5)	**(295)**
Operating expenses excluding transactions costs	(150)	(5)	(5)	**(160)**
Interest expense	(23)	—	—	**(23)**
Current income tax expense	(6)			**(6)**
Segment DOE	**110**	**20**	**11**	**141**
Depreciation expense				**(5)**
Deferred income tax expense				**13**
Transaction costs				**(4)**
Net investments gains and losses, including funds withheld				**(145)**
Unrealized mark to market within insurance contracts				**(79)**
Other corporate activities, net				**(14)**
Net income				**$ (93)**

FOR THE THREE MONTHS ENDED MAR. 31 2022 (MILLIONS)	Reinsurance	Pension Risk Transfer	**Total**
Net premiums	$ —	$ 109	**$ 109**
Other net investment income, including funds withheld	37	34	**71**
Segment revenues	37	143	**180**
Proportionate share of equity accounted investment adjusted earnings	16	—	**16**
Policyholder benefits, net		(139)	**(139)**
Other insurance and reinsurance expenses	(38)	—	**(38)**
Operating expenses excluding transactions costs	(5)	(3)	**(8)**
Interest expense	(6)	—	**(6)**
Segment DOE	**4**	**1**	**5**
Deferred income tax expense			**(4)**
Transaction costs			**(4)**
Net investments gains and losses, including funds withheld			**98**
Unrealized mark to market within insurance contracts			**56**
Equity accounted (income) loss			**3**
Other corporate activities, net			**2**
Net income			**$ 156**

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers. All existing reinsurance contracts are with U.S. based insurance companies. Total premium revenues recorded within our Reinsurance segment for the three months ended March 31, 2023 were from transactions with two United States ceding companies.

Total premium revenues recorded within our PRT segment for the three months ended March 31, 2023, and 2022 were from Canadian and U.S. counterparties.

Total premium revenues recorded within our Direct Insurance segment for the three months ended March 31, 2023 were from transactions with U.S. retail customers. There were no activities in the Direct Insurance segment as the business was acquired in May 2022.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT MAR. 31, 2023 (MILLIONS)	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 9,591	$ 3,640	$ 30,656	$ 1,064	**$ 44,951**
Liabilities	7,990	3,396	26,660	2,470	**40,516**
Equity and other	1,601	244	3,996	(1,406)	**4,435**

AS AT DEC. 31, 2022 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 9,314	$ 3,410	$ 29,583	$ 1,143	**$ 43,450**
Liabilities	7,644	3,173	25,796	2,545	**39,158**
Equity and other	1,670	237	3,787	(1,402)	**4,292**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

NOTE 25. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2023, subsidiaries of the Company had investment commitment agreements with third parties to the maximum of approximately $8.2 billion exclusive of taxes and other operating expenses (December 31, 2022 – $5.4 billion). As at March 31, 2023, the total unfunded commitment amounts were $5.2 billion.

The Company's subsidiary had aggregate commitments at March 31, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.8 billion of which $1.1 billion is expected to be funded in 2023, with the remainder funded in 2024 and beyond.

In addition, the Company's subsidiary had revolving commitments of $113 million expected to be funded during 2023 and 2024, and outstanding letters of credit in the amount of $4 million as of March 31, 2023.

Federal Home Loan Bank (FHLB) Agreements

The Company has access to the FHLB's financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of March 31, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $12 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of March 31, 2023, the collateral provided borrowing capacity of approximately $680 million. The deposited securities and commercial mortgage loans are included in the Company's statements of financial position within available-for-sale fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Guarantees

American National has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by American National. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, American National would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of March 31, 2023, was approximately $121 million, while the total cash value of the related life insurance policies was approximately $144 million.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on the Company's statements of financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the lowest amount of the range

NOTE 26. SUBSEQUENT EVENTS

Subsequent to quarter end, the Company repaid $500 million of its 364-day secured facility on maturity with the remaining $500 million extended for an additional 364 days, now maturing in April 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management's discussion and analysis ("MD&A"), covers the financial position as of March 31, 2023 and December 31, 2022 and the results of operations for the three months ended March 31, 2023, and 2022. Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "company" means Brookfield Reinsurance Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Corporation, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Forward-Looking Information".

The information in this MD&A should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements ("the financial statements") as of March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023, and 2022. Interim operating results for the three months ended March 31, 2023 are not necessarily indicative of the results expected for the entire year.

Overview of Our Business

Our company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020. The company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the company's interest in its operating subsidiaries North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC") and American National Group, LLC. ("American National").

Our company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. Our business is presently conducted through our subsidiaries under three operating segments, which we refer to as our Direct Insurance, Reinsurance, and our Pension Risk Transfer ("PRT") businesses. The principal operating entities of the company generally maintain their own independent management and infrastructure. Refer to the "Lines of Business" section of the MD&A for further details on our operating segments' business.

Conversion and Adoption of Accounting Standards

Effective January 1, 2023, the Company transitioned from International Financial Reporting Standards ("IFRS") to US generally accepted accounting principles ("GAAP"). The accompanying MD&A, including all periods presented, have been presented and analyzed under GAAP. On January 1, 2023, we adopted Accounting Standards Update 2018-12 ("ASU 2018-12") , requiring targeted improvements to the accounting for long-duration contracts ("LDTI"). As such, results for 2022 have been recast and are also presented under the new guidance. As a result of the transition from IFRS to GAAP, including the impact of the adoption of LDTI, the Company recorded a $255 million increase, net of tax, to opening equity reported under IFRS as of January 1, 2023, mainly from the recognition of an allowance for credit losses and the retrospective impact of LDTI.

The significant differences between IFRS and GAAP as they relate to these financial statements are as follows:

a) *Investment impairment*

Under IFRS, prior to the adoption of GAAP, at each reporting date, financial assets were assessed for impairment indicators. The Company considered an impairment loss if it deemed it unlikely that it would be able to recover all amounts due according to the contractual terms of the obligation.

Under GAAP, ASU 2016-13, Measurement of Credit Losses on Financial Instruments uses a current expected credit loss ("CECL") model to measure impairment on certain types of financial instruments. It requires an entity to estimate lifetime expected credit losses, under the new CECL model, based on relevant information about historical events, current conditions, and reasonable and supportable forecasts. The guidance also modifies the impairment model for available-for-sale fixed maturity securities. This difference in the timing of the impairment recognition is the primary driver for differences between accounting standards. As a result of the transition to GAAP, the Company recorded a $71 million decrease, net of tax, to retained earnings as of December 31, 2022 reported under IFRS related to mortgage loans and private loans.

b) Insurance contract liabilities

Under GAAP, to the extent that an insurance or reinsurance contract does not, despite its form, provide for indemnification of the ceding entity or reinsurer against loss or liability, the premium paid less the amount of the premium to be retained shall be accounted for as a deposit. At inception, a deposit asset or liability shall be recognized for insurance and reinsurance contracts accounted for under deposit accounting.

For long duration insurance contracts, ASU 2018-12, LDTI, issued in August 2018, changes the measurement and disclosures of insurance liabilities and deferred acquisition cost for long-duration contracts issued by insurers. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

Initial adoption for the liability for future policy benefits and deferred acquisition cost ("DAC") is required to be reported using either a full retrospective or modified retrospective approach. Market risk benefits ("MRB") are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. For MRB, full retrospective application is required. The Company has elected to apply a modified retrospective transition method for the liability for future policy benefits and DAC.

The Company recorded a $94 million increase, net of tax, to retained earnings as of January 1, 2023, as well as a favorable impact to AOCI of approximately $462 million, after tax resulting from the remeasurement of future policy benefits and reinsurance recoverable using discount rates applicable under the LDTI requirements per GAAP.

c) Investment classification

The Company's investment in financial assets includes debt securities, equity securities and loans and receivables. Under IFRS, these assets were classified into one of the following categories:

- Available for sale ("AFS") assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- Fair value through profit or loss ("FVTPL") assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost. Financial assets supporting future policy benefits within our pension risk transfer (PRT) business are classified as loans and receivables or designated as FVTPL. Financial assets supporting modified coinsurance reserves within reinsurance treaties are designated as FVTPL.

Under GAAP, all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) are measured at fair value through net income. The Company's fixed maturity securities are designated as available-for-sale. Available-for-sale fixed maturity securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in accumulated other comprehensive income ("AOCI"). In connection with funds withheld reinsurance treaties, the Company has elected the fair value option (FVO) for certain of its fixed maturities to better match the measurement of those assets and related embedded derivative in the Consolidated Statements of Operations. As a result of the transition from IFRS to GAAP, the Company recorded a $138 million decrease, net of tax, to retained earnings reported under IFRS as of January 1, 2023 and a corresponding increase for the same amount, net of tax, to AOCI related to the reclassification of its equity and debt securities under GAAP.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. During the first quarter of 2023, the Company implemented and modified certain internal controls over financial reporting relating to the adoption and ongoing operation of ASU 2018-12

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective. There was no change in the Company's internal control over financial reporting during the quarter ended March 31, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting besides those related to LDTI. .

The following financial data is derived from our financial statements that are prepared in accordance with GAAP. Non-GAAP measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Key Financial Data

The following present key financial data of the company:

FOR THE PERIODS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Total assets	**$ 44,951**	$ 11,648
Net income (loss)	**(93)**	156
Adjusted equity[1]	**4,752**	1,576
Distributable Operating Earnings[1,2]	**145**	13

1. Distributable operating earnings and adjusted equity are Non-GAAP measures. See "Reconciliation of Non-GAAP Measures".
2. Distributable operating earnings for the three months ended 2023 is inclusive of $4 million relating to activities outside of our three operating segments (2022 - $8 million)

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the three months ended March 31, 2023 and 2022:

FOR THE PERIODS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Net premiums	**$ 800**	$ 109
Other policy revenue	**97**	—
Net investment income	**400**	56
Investment related gains (losses), net	**(106)**	28
Net investment results from funds withheld	**12**	85
Total revenues	**1,203**	278
Claims and policyholder benefits	**(742)**	(105)
Interest sensitive contract benefits	**(241)**	(18)
Commissions for acquiring and servicing policies	**(180)**	—
Net change in deferred policy acquisition costs	**112**	20
Change in fair value of market risk benefit	**(6)**	12
Other reinsurance expenses	**(14)**	(4)
Operating expenses	**(176)**	(17)
Interest expense	**(60)**	(5)
Total benefits and expenses	**(1,307)**	(117)
Net income (loss) before income taxes	**(104)**	161
Income tax recovery (expense)	**11**	(5)
Net income (loss) for the period	**$ (93)**	$ 156

Three Months Ended March 31, 2023 vs. 2022

For the three months ended March 31, 2023, we reported a net loss of $93 million, compared to net income of $156 million in the prior year quarter due to unrealized mark-to-market losses on investments and embedded derivatives.

Net premiums were $800 million for the quarter, compared to $109 million in the prior year quarter, mainly as a result of $625 million in contributions from direct insurance premiums within American National, which we acquired in May 2022. The acquisition also contributed $97 million of other policy revenue in the quarter. During the quarter, the company closed 18 PRT deals, representing approximately $175 million of premiums, compared to 7 deals in the prior year quarter with $109 million of premiums.

Net investment income was $400 million in the quarter, compared to $56 million in the prior year quarter, driven by the growth in our investment portfolio and capital redeployed within recently closed transactions.

Investment related gains (losses), net was a loss of $106 million in the quarter, compared to a gain of $28 million in the prior year quarter, mainly due to unrealized mark-to-market movements on our embedded derivatives related to reinsurance contracts, as well as some of our equity securities that have since partially recovered their value subsequent to the quarter-end.

Net investment income, including funds withheld, was $12 million in the quarter, compared to $85 million in the prior year quarter. During the quarter, we received interest income of $344 million, compared to $26 million in the prior year quarter, more than offset by the unrealized losses on financial instruments within our reinsurance funds withheld.

Claims and policyholder benefits were $742 million in the quarter, compared to $105 million in the prior year quarter, which corresponds to the increase in our premium revenues as a result of contributions from American National. The increase is also partly due to additional flow reinsurance transactions closed, as well as higher annuitants in-pay in our PRT business since the prior year.

Interest sensitive contract benefits represent interest credited to policyholders' account balances from our investment contracts with customers, as well as amortization of deferred revenue. Commissions for acquiring and servicing policies represent any sales commission payments or incremental costs of obtaining the contract that are amortized over the contract term subsequent to the initial capitalization. During the quarter, interest sensitive contract benefits and commissions for acquiring and servicing policies increased by $223 million and $180 million, respectively. Both balances increased in the quarter as a result of the acquisition of American National.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on protection to the policyholder from capital market risk. The loss of $6 million in the period is primarily due to change in interest rate used in the valuation of these liabilities.

Operating expenses were $176 million in the current quarter compared to $17 million in the prior year quarter, mainly as a result of the acquisition of American National, as well as additional personnel, professional services and transaction expenses related to the growth of our business.

The increase of $55 million of interest expense on borrowings in the current quarter primarily relates to our subsidiary borrowings, representing $1.5 billion of acquisition financing issued at American National, as well as corporate borrowings used to temporarily warehouse investments that will be moved into our insurance companies' investment portfolios over time.

During the quarter, DOE increased by $132 million to $145 million. The increase was driven by contributions from American National, as well as higher net investment income within our PRT and Reinsurance businesses as we made progress redeploying the investments within the portfolios.

CONSOLIDATED FINANCIAL POSITION

Comparison as at March 31, 2023 and December 31, 2022

The following table summarizes the financial position as at March 31, 2023 and December 31, 2022:

AS AT MAR. 31, 2023 AND DEC. 31, 2022 US$ MILLIONS, EXCEPT SHARE DATA	2023	2022
Assets		
Investments	**$ 31,087**	$ 30,307
Cash and cash equivalents	**2,354**	2,145
Accrued investment income	**352**	341
Deferred policy acquisition costs	**1,703**	1,595
Reinsurance funds withheld	**6,004**	5,806
Premiums due and other receivables	**476**	436
Deferred tax asset	**433**	470
Reinsurance recoverables, net	**615**	595
Property and equipment (net of accumulated depreciation of $12 in 2023 and $7 in 2022)	**193**	194
Other assets	**636**	516
Separate account assets	**1,098**	1,045
Total assets	**44,951**	43,450
Liabilities		
Future policy benefits	**8,349**	7,966
Policyholders' account balances	**20,784**	20,141
Policy and contract claims	**1,825**	1,786
Deposit liabilities	**1,643**	1,657
Market risk benefit	**119**	124
Unearned premium reserve	**1,119**	1,086
Due to related parties	**247**	241
Other policyholder funds	**323**	322
Notes payable	**184**	151
Corporate borrowings	**2,049**	2,160
Subsidiary borrowings	**1,493**	1,492
Liabilities issued to reinsurance entities	**166**	151
Other liabilities	**1,117**	836
Separate account liabilities	**1,098**	1,045
Total liabilities	**40,516**	39,158
Junior Preferred Shares, par value $25 per share, redemption amount of $2,512	**2,607**	2,580
Equity		
Class A exchangeable and Class B (10,450,952 Class A exchangeable shares and 24,000 Class B shares outstanding as at 2023; 9,594,989 Class A exchangeable shares and 24,000 Class B shares outstanding as at 2022; with par value of $33.63 per share)	**460**	432
Class C (41,314,891 and 40,934,623 Class C shares outstanding as at 2023 and 2022, respectively)	**1,359**	1,272
Non-controlling interests	**9**	8
Total equity	**1,828**	1,712
Total liabilities and equity	**$ 44,951**	$ 43,450

March 31, 2023 vs. December 31, 2022

Total assets increased by $1.5 billion during the quarter to $45.0 billion.

Cash and cash equivalent increased by $209 million during the quarter. For further information, refer to Liquidity and Capital Resources and our Consolidated Statements of Cash Flows.

Total investments increased by $780 million over the quarter, primarily as a result of the partial recovery in the market value of our debt securities, as well as the deployment of new premiums received during the quarter.

Deferred acquisition costs, which are capitalized costs that are directly related to writing new policyholder contracts. During the quarter, the balance increased by $108 million mainly as a result of new insurance contracts entered with policyholders, partially offset by amortization.

Reinsurance funds withheld increased by $198 million over the quarter, primarily as a result of net reinsurance settlements, partially offset by mark to market adjustments on the total return swap due to the impact of decreasing interest rates over the period on our shorter duration asset portfolio.

Deferred tax assets decreased by $37 million during the quarter, primarily as a result of unrealized mark-to-market gains on our debt securities.

Reinsurance recoverables are estimated amounts due to the Company from reinsurers related to paid and unpaid ceded claims and expenses, and are presented net of reserves for collectability. The amount increased by $20 million in the current quarter primarily as a result of balances collected over the quarter.

Other assets primarily include intangible assets, goodwill, and prepaid pension receivables from related parties. The balance increased by $120 million during the quarter, mainly due to higher prepaid reinsurance premiums.

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of the Company, and both increased by $53 million in the quarter mainly due to changes in the valuation during the quarter.

Future policy benefits and policyholder account balances increased by $1.0 billion during the quarter mainly due to new contracts written across our operations, partially offset by settlements in the quarter.

Corporate and subsidiary borrowings decreased by $110 million during the period, primarily as a result of repayments of our warehouse and credit facility borrowings. Due to related parties was $247 million as at quarter-end and relates to short-term loans from Brookfield in connection with the reinsurance transactions closed in 2021.

In the prior year, we issued junior preferred shares to Brookfield which are redeemable by the Company at any time at the issuance price plus accumulated and unpaid dividends. Additionally, holders of the junior preferred shares have the right to redeem the shares at an amount equal to the issuance price plus accumulated and unpaid dividends. As a result of the redemption right held by the holders, the junior preferred shares are classified as temporary equity, and the corresponding dividends of $28 million in the quarter have be reflected in our retained earnings as dividends paid.

Lines of Business

Direct Insurance

Following closing of the American National acquisition in May 2022, American National became the platform for our third primary operating line: direct origination of life, annuity and property and casualty insurance policies, which we refer to as direct insurance.

American National, founded in 1905 and headquartered in Galveston, Texas, offers a broad spectrum of products and services through its subsidiaries, which include life insurance, annuities, property and casualty insurance, health insurance, credit insurance, and pension products. The American National companies operate in all 50 states, the District of Columbia and Puerto Rico.

Life Insurance

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Universal Life. Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates during the contract period, subject to policy specific minimums. An equity-indexed universal life product is credited with interest using a return that is based, in part, on changes in an index, such as the Standard & Poor's 500 Index ("S&P 500"), subject to a specified minimum.

Variable Universal Life. Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the securities selected by the policyholder held in the separate account.

Credit Life Insurance. Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay to the lender the borrower's remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuities

Deferred Annuities. A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value. An equity-indexed deferred annuity is credited with interest using a return that is based, in part, on changes in an index, such as the S&P 500, subject to a specified minimum.

Single Premium Immediate Annuity ("SPIA"). A SPIA is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant's life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuities. With a variable annuity, the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits.

Property and Casualty

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners, and other similar exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner's property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles, and umbrella protection coverage.

Commercial Lines. Commercial lines are primarily focused on providing insurance to agricultural related operations and small to midsize businesses. This includes property and casualty coverage tailored for a farm, ranch, or other agricultural-related businesses. Commercial auto insurance is typically issued in conjunction with the sale of our policies covering farms, ranches, and businesses and covers specific risks involved in owning and operating motor vehicles. Business owners' property and liability insurance, workers' compensation insurance, and other commercial insurance encompassing umbrella protection coverage and other liability coverages, are also offered.

Specialty Markets. Specialty Markets products include renters, mortgage security, aviation, private flood, and credit insurance. Credit insurance provides protection to borrowers and the creditors that extend credit to them against unpaid indebtedness as a result of death, disability, involuntary unemployment, or untimely loss to the collateral securing a personal or mortgage loan.

- *Collateral* or *Creditor Protection Insurance* ("CPI"). CPI provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor's interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.
- *Guaranteed Auto Protection* or *Guaranteed Asset Protection* ("GAP"). GAP insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

As of March 31, 2023, American National and its subsidiaries had $19.7 billion (December 31, 2022 - $19.1 billion) of future policy benefits and policyholder account balances.

Reinsurance

Within our Reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our Reinsurance business through licensed operating companies, North End Re (Cayman) SPC ("NER SPC") and North End Re Ltd ("NER Ltd."). As of the date of this MD&A, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure a block of U.S. annuities and fixed indexed annuities. As of March 31, 2023, NER SPC had $6.2 billion of policyholder's account balances and NER Ltd. had $1.6 billion of deposit liabilities related to their reinsurance treaties (December 31, 2022 – $5.9 billion and $1.7 billion, respectively).

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated in Canada and the United States. Our Canadian PRT business is operated through Brookfield Annuity Company ("BAC"), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. Under American National, we also operate a U.S. PRT business, which became licensed during 2022 and successfully completed its first PRT transaction in December 2022. Our North American PRT businesses are led by a team of experts in group annuities, pensions, insurance and investments.

As of March 31, 2023, we had $3.2 billion (December 31, 2022 – $3.1 billion) of future policy benefits related to PRT.

SEGMENT REVIEW

The Company's operations are organized into three operating segments: Direct Insurance, Reinsurance and PRT.

We measure operating performance primarily using DOE which measures our ability to acquire net insurance assets at a positive margin, and invest these assets at a return that is greater than the cost of policyholder liabilities.

Direct Insurance

The following table presents Distributable Operating Earnings of our Direct Insurance segment for the three months ended March 31, 2023 and 2022:

FOR THE PERIODS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
DOE	**$ 110**	$ —

Comparison of the three months ended March 31, 2023 and 2022

DOE within our Direct Insurance business represents contribution from our direct origination annuity, life, P&C and health businesses operated by American National, which was acquired in the second quarter of 2022. We benefited from strong contributions from our life and annuities business and the continued repositioning of investments into higher yielding investments. DOE related to our Direct Insurance business also includes financing costs associated with subsidiary borrowings and corporate overhead directly related to the segment.

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the three months ended March 31, 2023 and 2022:

FOR THE PERIODS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
DOE	**$ 20**	$ 4

Comparison of the three months ended March 31, 2023 and 2022

DOE within our Reinsurance business increased to $20 million in the quarter. During the quarter, we recorded flow premiums on our AEL reinsurance treaty of approximately $330 million, bringing total premiums reinsured under the treaty to over $6 billion of premiums to-date. DOE also benefited from rising interest rates over the last twelve months and the redeployment of assets into higher yielding investments in the period.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the three months ended March 31, 2023 and 2022:

FOR THE PERIODS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
DOE	**$ 11**	$ 1

Comparison of the three months ended March 31, 2023 and 2022

During the quarter, the Company closed 18 PRT deals (2022 – 7), representing $175 million (2022 – $109 million) of premiums. The increase in DOE from the prior year was a result of more business closed over the last twelve months, as well as higher investment income due to redeployment of assets into higher yielding investments.

Liquidity and Capital Resources

CAPITAL RESOURCES

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, and access to the Company's third-party credit facility, and our credit facility and equity commitment with Brookfield. We proactively manage our liquidity position to meet liquidity needs and continue to develop relationships with lenders who provide borrowing capacity at competitive rates, while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our corporate liquidity for the periods noted below consisted of the following:

AS AT MAR. 31, 2023 AND DEC. 31, 2022 US$ MILLIONS		**2023**		2022
Cash and cash equivalents	**$**	**711**	$	784
Liquid financial assets		**279**		241
Undrawn credit facilities		**604**		544
Total Corporate liquidity[1]	**$**	**1,594**	$	1,569

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. In June 2021, Brookfield provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three year revolving $400 million credit facility in addition to our $500 million revolving credit facility with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation will be a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to invest in a rising rate environment and secure attractive investment opportunities. In addition to a portfolio of highly liquid financial assets, our operating companies have additional access to the liquidity from sources such as the Federal Home Loan Bank ("FHLB") within our direct insurance business and short-term repurchase agreements within our pension risk transfer business to manage market exposure between the timing of transaction agreements being entered into and the receipt of assets. As at March 31, 2023, the Company had drawn $17 million of a total $1.1 billion of commitments available relating to these programs.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at March 31, 2023, the company's cash and cash equivalents included $711 million of unrestricted cash resources that can be deployed to fund corporate activities as needed.

AS AT MAR. 31, 2023 AND DEC. 31, 2022 US$ MILLIONS		**2023**		2022
Cash and cash equivalents	**$**	**2,354**	$	2,145
Liquid financial assets		**15,696**		17,769
Undrawn credit facilities		**1,685**		1,659
Total liquidity[1]	**$**	**19,735**	$	21,573

1. See "Performance Measures used by Management".

Comparison of the three months ended March 31, 2023 and 2022

The following table presents a summary of our cash flows and ending cash balances for the three months ended March 31, 2023 and 2022:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Operating activities	**$ 198**	$ 77
Investing activities	**(74)**	(269)
Financing activities	**86**	122
Cash and cash equivalents		
Cash and cash equivalents, beginning of the period	**2,145**	393
Net change during the period	**210**	(70)
Foreign exchange on cash balances held in foreign currencies	**(1)**	—
Cash and cash equivalents, end of the period	**$ 2,354**	$ 323

Operating Activities

For the three months ended March 31, 2023, we generated $198 million of cash from operating activities compared to $77 million during 2022.

Investing Activities

For the three months ended March 31, 2023, we reinvested liquid short term and fixed maturity investments that matured during the period and we deployed $2 billion into new higher-yielding investments within our insurance operating subsidiaries' portfolios. These investments were primarily funded by new premiums and the sales and maturities of liquid securities. The purchase and sales, net of maturities, resulted in net deployment of $74 million of cash from investing activities, compared to $269 million during the same period in 2022.

Financing Activities

For the three months ended March 31, 2023, we generated $86 million of cash from financing activities compared to $122 million generated in 2022, inclusive of $338 million in additional borrowings to fund temporary corporate investments, the majority of which will be transferred into our insurance entities in the near term, and offset by repayments on our warehouse and revolving credit facilities.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As at March 31, 2023, our common equity was $1.8 billion and our adjusted equity was $4.8 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income.

Included in equity and adjusted equity was approximately $244 million invested in Canadian dollars. All cumulative translation adjustments recorded for the three months ended March 31, 2023 and 2022 were related to foreign exchange movements on the Canadian dollar relative to the U.S. dollar.

As at March 31, 2023, we had a notional $2.2 billion (December 31, 2022 – $2.6 billion) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 3, “Financial Instruments” of the financial statements.

Future Capital Obligations and Requirements

Subsidiaries of the Company have investment commitment agreements to the maximum of $8.2 billion exclusive of taxes and other operating expenses (December 31, 2022 – $5.4 billion). As at March 31, 2023, $3.0 billion was funded (December 31, 2022 – $2.6 billion). The amounts are recognized as loans and receivables, unrated bonds and private equity investments.

For additional information, see Note 25, “Financial Commitments and Contingencies” of the financial statements.

The following is the maturity by year on corporate borrowings, subsidiary borrowings and junior preferred shares:

	Payments due by year				
AS AT MAR. 31 2023 US$ MILLIONS	**Total**	Less than 1 year	1- 3 years	4 - 5 years	More than 5 years
Corporate borrowings	**2,049**	1,753	—	296	—
Subsidiary borrowings	**1,493**	—	—	1,000	493
Preferred shares	**2,607**	—	—	—	2,607

Capital management

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company’s growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company’s risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company’s risk appetite and Own Risk and Solvency Assessment (“ORSA”). Furthermore, stress techniques that include the Financial Conditions Testing (“FCT”) are used to evaluate the Company’s capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test (“LICAT”) as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC and American National are required to follow Risk Based Capital (“RBC”) requirements based on guidelines of the National Association of Insurance Commissioners (“NAIC”). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority (“BMA”). The Enhanced Capital Requirement (“ECR”) is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The Company has determined that it is in compliance with all capital requirements as at March 31, 2023 and December 31, 2022.

Brookfield Operating Results

An investment in the class A exchangeable shares of the company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield's three months ended March 31, 2023 operating results is provided below:

FOR THE THREE MONTHS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Revenues	**$ 23,297**	$ 21,882
Net income	**424**	2,960

Each class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield in its continuous disclosure filings. Copies of the Brookfield's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Industry Trends and Factors Affecting Our Performance

As a financial services business providing capital based solutions to the insurance industry, we are affected by numerous factors, including global economic and financial market conditions. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business. We also monitor factors such as consumer spending, business investment, the volatility of capital markets, interest rates, unemployment and the risk of inflation or deflation, which affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products offered by our business. We believe the following current trends present significant opportunities for us to grow our business.

- **Financial market volatility and dislocations across asset classes favor insurers with diverse investment portfolios and access to alternative credit.** Insurers primarily invest in public market fixed income products and are exposed to public market valuations. Insurers with an ability to diversify investment portfolios to include alternative and private credit assets provides more favorable investment performance.
- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.
- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.
- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our statements of financial position within our financial statements include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The company's obligations under its insurance contracts are denominated in Canadian and United States dollars but a portion of the assets supporting these liabilities are denominated in non-Canadian and non-United States dollars. We manage foreign exchange risk using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently increased in many jurisdictions in which we operate in 2022 but remain at relatively low levels by historical standards. The company's asset liability management practices and interest rate risk management allows the company to mitigate the impact of interest rate volatility on the business. However, sudden or unexpected changes in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

The company manages interest rate risk through their asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The Company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The Company mitigates the equity risk by diversification of the investment portfolio.

The Company also has equity risk associated with the equity-indexed life and annuity products the Company issues. The Company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

Credit Risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The company is primarily exposed to credit risk through its investments in debt securities.

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block's acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

In the future we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our financial statements.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

We have significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board of Directors.

Disaster recovery and business continuity plans have also been established to manage the company's ability to operate under adverse conditions.

Critical Accounting Policy and Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Refer to the Notes to the Financial Statements.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-GAAP measures, including Distributable Operating Earnings and Adjusted Equity. In addition, we provide certain metrics such as Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the "Segment Review" section of this MD&A for further discussion on our performance measures as at March 31, 2023, and for the three months ended March 31, 2023 and 2022.

Non-GAAP Measures

We regularly monitor certain Non-GAAP measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-GAAP financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with GAAP. These Non-GAAP measures are not comparable to GAAP and may not be comparable to similarly described Non-GAAP measures reported by other companies, including those within our industry. Consequently, our Non-GAAP measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable GAAP measure in our consolidated financial statements for the years presented. The Non-GAAP financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

Distributable Operating Earnings

We use Distributable Operating Earnings to assess operating results and the performance of our businesses. We define distributable operating earnings as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and our share of adjusted earnings from our investments in certain associates. Distributable operating earnings is a measure of operating performance. We use distributable operating earnings to assess our operating results.

Distributable operating earnings is a measure of operating performance. We use distributable operating earnings to assess our operating results. Distributable Operating Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by GAAP as issued by the Financial Accounting Standards Board. Distributable Operating Earnings is therefore unlikely to be comparable to similar measures presented by other issuers.

We believe our presentation of Distributable Operating Earnings is useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of Distributable Operating Earnings also provide investors enhanced comparability of our ongoing performance across years.

Adjusted Equity

Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. We use Adjusted Equity to assess our return on our equity.

The followings contain further details regarding our use of our Non-GAAP measures, as well as a reconciliation of net income and total equity to these measures:

Reconciliation of Non-GAAP Measures

The following table reconciles our net income to Distributable Operating Earnings:

FOR THE PERIODS ENDED MAR. 31 US$ MILLIONS	**2023**	2022
Net (loss) income	**$ (93)**	$ 156
Net investment gains and losses, including funds withheld	**145**	(98)
Mark-to-market on insurance contracts and other net assets	**97**	(56)
	149	2
Deferred income tax expense	**(13)**	4
Transaction costs	**4**	4
Equity accounted (income) loss	**—**	3
Depreciation	**5**	—
Distributable Operating Earnings	**$ 145**	$ 13

The following table reconciles our equity to Adjusted Equity:

AS AT MAR. 31 US$ MILLIONS	**2023**	2022
Total equity	**$ 1,828**	$ 1,446
Add:		
Accumulated Other Comprehensive Loss (Income)	**317**	130
Junior preferred shares	**2,607**	—
Adjusted equity	**$ 4,752**	$ 1,576

Forward-Looking Information

In addition to historical information, this MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the company and Brookfield's outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the company, Brookfield's or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The following factors, among others, could cause our actual results to vary from our forward-looking statements:

We caution that the factors that may affect future results described in this MD&A are not exhaustive. The forward-looking statements represent our views as of the date of this MD&A and should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our most recent Annual Report on Form 20-F and other risks and factors that are described therein.

Brookfield Reinsurance Ltd.

bnre.brookfield.com

NYSE: BNRE
TSX: BNRE

EXHIBIT 11(d)

Unaudited Quarterly Financial Statements of Brookfield Reinsurance for the Quarter-Ended June 30, 2023

Brookfield

2023

Q2 INTERIM REPORT

Brookfield Reinsurance Ltd.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD REINSURANCE LTD. AS AT JUNE 30, 2023 AND DECEMBER 31, 2022, AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

INDEX

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT US$ MILLIONS, EXCEPT SHARE DATA	Note	June 30, 2023	December 31, 2022
Assets			
Available-for-sale fixed maturity securities, at fair value (net of allowance for credit losses of $39 and $30 respectively; amortized cost of $16,987 and $17,606, respectively)	3	**$ 15,833**	$ 16,316
Equity securities, at fair value	4	**1,362**	1,253
Mortgage loans on real estate, at amortized cost, (net of allowance for credit loss of $47 and $41, respectively)	5	**5,958**	5,888
Private loans, at amortized cost, (net of allowance for credit loss of $30 and $28, respectively)	6	**1,337**	1,144
Real estate and real estate partnerships, (net of accumulated depreciation of $323 and $304, respectively)	7	**2,224**	1,036
Investment funds	11	**1,956**	1,671
Policy loans	11	**381**	374
Short-term investments	11	**2,905**	2,402
Other invested assets, net	11	**402**	211
Total investments		**32,358**	30,295
Cash and cash equivalents		**2,893**	2,145
Accrued investment income		**285**	341
Deferred policy acquisition costs	14	**1,986**	1,585
Reinsurance funds withheld	12	**6,540**	5,812
Premiums due and other receivables		**541**	436
Deferred tax asset		**489**	490
Reinsurance recoverables, net		**627**	589
Property and equipment		**160**	194
Other assets	19	**849**	405
Goodwill	15	**121**	121
Separate account assets	13	**1,145**	1,045
Total assets		**47,994**	43,458
Liabilities			
Future policy benefits	17	**8,863**	8,011
Policyholders' account balances	18	**23,018**	20,141
Policy and contract claims	20	**1,868**	1,786
Deposit liabilities	12	**1,632**	1,657
Market risk benefit	19	**131**	124
Unearned premium reserve		**1,150**	1,086
Due to related parties	26	**525**	241
Other policyholder funds		**316**	322
Notes payable		**158**	151
Corporate borrowings	21	**1,740**	2,160
Subsidiary borrowings	21	**1,494**	1,492
Liabilities issued to reinsurance entities		**217**	151
Other liabilities		**1,191**	826
Separate account liabilities	13	**1,145**	1,045
Total liabilities		**43,448**	39,193
Mezzanine equity			
Redeemable Junior Preferred Shares, par value $25 per share, redemption amount of $2,635 (100,460,280 shares outstanding)	23	**2,635**	2,580
Equity			
Class A exchangeable, Class B, and Class C (10,450,952 class A exchangeable shares, 24,000 class B shares; par value $33.56 per share and 41,314,891 class C shares issued and outstanding; par value $1 per share)	23	**1,926**	1,890
Retained earnings		**477**	310
Accumulated other comprehensive income (loss), net of taxes	24	**(501)**	(523)
Non-controlling interests		**9**	8
Total equity		**1,911**	1,685
Total liabilities, mezzanine equity, and equity		**$ 47,994**	$ 43,458

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

		Three Months Ended June 30,		Six Months Ended June 30,	
US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	**2023**	2022	**2023**	2022
Net premiums		**$ 1,099**	$ 1,201	**$ 1,899**	$ 1,310
Other policy revenue		**103**	31	**200**	31
Net investment income	10	**440**	195	**840**	251
Investment related gains (losses), net	10	**292**	(135)	**186**	(107)
Net investment results from funds withheld		**106**	(12)	**118**	73
Total revenues		**2,040**	1,280	**3,243**	1,558
Policyholder benefits and claims incurred	17	**(1,133)**	(1,148)	**(1,875)**	(1,253)
Interest sensitive contract benefits	18	**(316)**	(18)	**(557)**	(36)
Commissions for acquiring and servicing policies	14	**(213)**	(62)	**(393)**	(62)
Net change in deferred policy acquisition costs	14	**250**	18	**362**	38
Change in fair value of market risk benefit	19	**14**	55	**8**	67
Other reinsurance expenses		**(23)**	(10)	**(37)**	(14)
Operating expenses		**(186)**	(75)	**(362)**	(92)
Interest expense		**(60)**	(18)	**(120)**	(23)
Total benefits and expenses		**(1,667)**	(1,258)	**(2,974)**	(1,375)
Net income before income taxes		**373**	22	**269**	183
Income tax recovery (expense)	22	**(13)**	3	**(2)**	(2)
Net income for the period		**$ 360**	$ 25	**$ 267**	$ 181
Attributable to:					
Class A exchangeable and Class B shareholders		**$ 1**	$ 1	**$ 2**	$ 3
Class C shareholders		**362**	26	**263**	180
Non-controlling interests		**(3)**	(2)	**2**	(2)
		$ 360	$ 25	**$ 267**	$ 181
Net income per class C share					
Basic	25	**$ 8.07**	$ 0.53	**$ 5.04**	$ 6.55

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

US$ MILLIONS	Note	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income		**$ 360**	$ 25	**$ 267**	$ 181
Other comprehensive income (loss) that will be reclassified to net income, net of tax					
Equity accounted other comprehensive income (loss)		**—**	(263)	**—**	(280)
Net unrealized gain (loss) on available for sale securities		**(279)**	(399)	**128**	(668)
Foreign currency translation		**1**	(4)	**(1)**	(1)
Change in discount rate for future policyholder benefit liability		**80**	206	**(98)**	412
Change in instrument specific credit risk for market risk benefit		**(22)**	19	**(10)**	13
Defined benefit pension plan adjustment		**2**	—	**3**	—
Total other comprehensive income (loss)	24	**(218)**	(441)	**22**	(524)
Comprehensive income (loss)		**$ 142**	$ (416)	**$ 289**	$ (343)

Attributable to:				
Class A exchangeable and Class B shareholders	**$ 1**	$ 1	**$ 2**	$ 3
Class C shareholders	**144**	(414)	**285**	(343)
Non-controlling interests	**(3)**	(3)	**2**	(3)
	$ 142	$ (416)	**$ 289**	$ (343)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED US$ MILLIONS	Class A exchangeable and Class B shareholders			Class C shareholders					
	Share Capital	Retained Earnings	Total	Share Capital	Retained Earnings	Accumulated other Comprehensive Income (Loss)	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2023	**$ 423**	**$ 9**	**$ 432**	**$ 1,467**	**$ 301**	**$ (523)**	**$ 1,245**	**$ 8**	**$ 1,685**
Changes in the period:									
Net income	—	1	1	—	(99)	—	(99)	5	**(93)**
Other comprehensive loss	—	—	—	—	—	240	240	—	**240**
Comprehensive income (loss)	—	1	1	—	(99)	240	141	5	**147**
Other items:									
Equity issuances	38	—	38	—	—	—	—	—	**38**
Distributions and redeemable preferred share dividends	(1)	—	(1)	—	(67)	—	(67)	(4)	**(72)**
Other	(10)	—	(10)	10	—	—	10	—	**—**
Total change in the period	27	1	28	10	(166)	240	84	1	**113**
Balance as at March 31, 2023	**$ 450**	**$ 10**	**$ 460**	**$ 1,477**	**$ 135**	**$ (283)**	**$ 1,329**	**$ 9**	**$ 1,798**
Changes in the period:									
Net income	—	1	1	—	362	—	362	(3)	**360**
Other comprehensive loss	—	—	—	—	—	(218)	(218)	—	**(218)**
Comprehensive income (loss)	—	1	1	—	362	(218)	144	(3)	**142**
Other items:									
Equity issuances	—	—	—	—	—	—	—	1	**1**
Distributions and redeemable preferred share dividends	(1)	—	(1)	—	(28)	—	(28)	2	**(27)**
Derecognition of equity accounted investments	—	—	—	—	—	—	—	—	**—**
Other	—	—	—	—	(3)	—	(3)	—	**(3)**
Total change in the period	(1)	1	—	—	331	(218)	113	—	**113**
Balance as at June 30, 2023	**$ 449**	**$ 11**	**$ 460**	**$ 1,477**	**$ 466**	**$ (501)**	**$ 1,442**	**$ 9**	**$ 1,911**

1. The Company distributed $0.07 in the form of a return of capital per each Class A exchangeable and Class B share in the first and second quarters of 2023.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Class A exchangeable and Class B shareholders			Class C shareholders					
FOR THE PERIODS ENDED US$ MILLIONS	Share Capital	Retained Earnings	Total	Share Capital	Retained Earnings	Accumulated other Comprehensive Income (Loss)	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2022	**$ 536**	**$ 3**	**$ 539**	**$ 963**	**$ (124)**	**$ (33)**	**$ 806**	**$ —**	**$ 1,345**
Changes in the period:									
Net income	—	2	2	—	154		154	—	**156**
Other comprehensive loss	—	—	—	—	—	(83)	(83)	—	**(83)**
Comprehensive income (loss)	—	2	2	—	154	(83)	71	—	**73**
Other items:									
Equity issuances	—	—	—	—	—	—	—	—	**—**
Distributions	(2)	—	(2)	—	26	(5)	21	—	**19**
Total change in the period	(2)	2	—	—	180	(88)	92	—	**92**
Balance as at March 31, 2022	**$ 534**	**$ 5**	**$ 539**	**$ 963**	**$ 56**	**$ (121)**	**$ 898**	**$ —**	**$ 1,437**
Changes in the period:									
Net income	—	1	1	—	26	—	26	(2)	**25**
Other comprehensive loss	—	—	—	—	—	(440)	(440)	(1)	**(441)**
Comprehensive income (loss)	—	1	1	—	26	(440)	(414)	(3)	**(416)**
Other items:									
Equity issuances	—	—	—	450	—	—	450	11	**461**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(11)	—	(11)	—	**(12)**
Total change in the period	(1)	1	—	450	15	(440)	25	8	**33**
Balance as at June 30, 2022	**$ 533**	**$ 6**	**$ 539**	**$ 1,413**	**$ 71**	**$ (561)**	**$ 923**	**$ 8**	**$ 1,470**

1. The Company distributed $0.14 in the form of a return of capital per each Class A exchangeable and Class B share in the first and second quarters of 2022.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUN. 30 US$ MILLIONS	2023	2022
Operating activities		
Net income	**$ 267**	$ 181
Adjustments to reconcile net income to net cash from operating activities:		
Premiums received in kind	**—**	(910)
Accretion on investments	**(57)**	—
Depreciation and amortization	**17**	3
Unrealized losses (gains) on investments and derivatives	**(263)**	705
Net losses (gains) on investments and derivatives	**14**	(69)
Investment credit losses (reversals)	**25**	(1)
Income from real estate partnerships, investment funds and corporations	**(95)**	(86)
Distributions from real estate partnerships, investment funds and corporations	**35**	41
Interest credited to policyholder account balances	**275**	5
Deferred income taxes	**(2)**	11
Changes in operating assets and liabilities:		
Policyholder liabilities	**1,755**	708
Deposit liabilities	**(128)**	(3)
Reinsurance funds withheld	**(769)**	(213)
Deferred policy acquisition costs	**(352)**	(96)
Reinsurance recoverables	**(35)**	58
Accrued investment income	**52**	(124)
Working capital and other	**23**	179
Cash flows from operating activities	**762**	389
Investing activities		
Acquisition of subsidiary, net of cash acquired	**—**	(4,086)
Purchase of investments		
Fixed maturity, available for sale	**(3,616)**	(2,406)
Equity securities	**(241)**	(384)
Mortgage loans on real estate	**(265)**	(171)
Private loans	**(25)**	(121)
Real estate and real estate partnerships	**(1,054)**	—
Investment funds	**(971)**	(306)
Short-term investments	**(6,952)**	(2,465)
Other invested assets	**(264)**	—
Proceeds from sales and maturities of investments		
Fixed maturity, available for sale	**3,530**	3,759
Equity securities	**43**	34
Mortgage loans on real estate	**220**	154
Private loans	**409**	—
Real estate and real estate partnerships	**3**	
Investment funds	**80**	—
Short-term investments	**6,966**	1,953
Other invested assets	**524**	—
Purchases of derivatives	**—**	(27)
Proceeds (settlements) from sales and maturities of derivatives	**(32)**	128
Purchase of intangibles and property and equipment	**—**	(7)
Proceeds from sales of intangibles and property and equipment	**—**	2
Change in collateral held for derivatives	**88**	(11)
Other, net	**(3)**	—
Cash flows from investing activities	**(1,560)**	(3,954)

Financing activities		
Issuance of common equity	**—**	450
Issuance of preferred equity	**—**	2,459
Return of capital to common stockholders	**—**	(3)
Proceeds from non-controlling interest	**1**	—
Borrowings from related parties	**268**	255
Repayment of borrowings to related parties	**—**	(580)
Borrowings from external parties	**1,033**	3,657
Repayment of borrowings to external parties	**(1,453)**	(1,055)
Borrowings issued to reinsurance entities	**—**	49
Policyholders' account deposits	**2,948**	141
Policyholders' account withdrawals	**(1,309)**	(112)
Debt issuance costs	**—**	(4)
Proceeds from repurchase agreement	**112**	197
Repayments of repurchase agreement	**(55)**	(197)
Cash flows from financing activities	**1,545**	5,257
Cash and cash equivalents		
Cash and cash equivalents at beginning of period	**2,145**	393
Net change during the period	**747**	1,692
Foreign exchange on cash balances held in foreign currencies	**1**	(1)
Cash and cash equivalents, end of period	**$ 2,893**	$ 2,084
Supplementary cash flow disclosures		
Cash taxes (recovery) paid	**$ (11)**	$ 40
Cash interest paid	**62**	3
Dividends and interest income received	**493**	77

NOTE 1. NATURE OF OPERATIONS

Brookfield Reinsurance Ltd. (“Brookfield Reinsurance” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company’s class A exchangeable shares are listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") under the symbol “BNRE”.

The Company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, Brookfield Reinsurance offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. The business is presently conducted through our subsidiaries under three operating segments: Direct Insurance, Reinsurance, and Pension Risk Transfer ("PRT").

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements ("financial statements") and notes thereto, including all prior periods presented, have been prepared under accounting principles generally accepted in the United States of America (“GAAP”). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated. The interim condensed consolidated financial statements should be read in conjunction with the December 31, 2022 audited consolidated financial statements of the Company and accompanying notes included with the Form 6-K filed with the SEC on June 28, 2023. The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2023. The interim condensed consolidated financial statements are unaudited and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented in accordance with GAAP.

Adoption of new accounting standards

For long duration insurance contracts, ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), issued in August 2018, changes the measurement and disclosures of insurance liabilities and deferred acquisition cost for long-duration contracts issued by insurers. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted LDTI effective January 1, 2023 with a transition date of January 1, 2021. The adoption of LDTI resulted in a decrease of $1 million and $135 million in retained earnings and accumulated other comprehensive income, respectively. Refer to the Company's financial statements for the year ended December 31, 2022 for adoption impact.

On April 1, 2023, the Company adopted ASU 2020-04 Topic 848. The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. The inventory of LIBOR exposures is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR did not have a material impact to the Company's financial statements or notes to the financial statements.

NOTE 3. INVESTMENTS IN AVAILABLE-FOR-SALE FIXED MATURITY SECURITIES

The amortized cost and fair value of available-for-sale fixed maturity securities are shown below:

AS AT JUN. 30, 2023 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. treasury and government	$ 174	$ —	$ (37)	$ —	**$ 137**
U.S. states and political subdivisions	835	—	(24)	—	**811**
Foreign governments	542	2	(19)	—	**525**
Corporate debt securities	13,659	21	(1,017)	(23)	**12,640**
Residential mortgage-backed securities	127	—	(4)	—	**123**
Commercial mortgage-backed securities	465	3	(24)	—	**444**
Collateralized debt securities	1,185	13	(29)	(16)	**1,153**
Total investments in fixed maturity securities	**$ 16,987**	**$ 39**	**$ (1,154)**	**$ (39)**	**$ 15,833**

AS AT DEC. 31, 2022 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. treasury and government	$ 148	$ —	$ (38)	$ —	**$ 110**
U.S. states and political subdivisions	880	—	(25)	—	**855**
Foreign governments	353	1	(36)	—	**318**
Corporate debt securities	14,379	35	(1,135)	(24)	**13,255**
Residential mortgage-backed securities	133	—	(6)	—	**127**
Commercial mortgage-backed securities	422	5	(19)	—	**408**
Collateralized debt securities	1,291	9	(51)	(6)	**1,243**
Total investments in fixed maturity securities	**$ 17,606**	**$ 50**	**$ (1,310)**	**$ (30)**	**$ 16,316**

The amortized cost and fair value, by contractual maturity, of available-for-sale fixed maturity securities are shown below:

AS AT US$ MILLIONS	**June 30, 2023**		December 31, 2022	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 660**	**$ 653**	$ 494	$ 489
Due after one year through five years	**5,179**	**4,990**	5,244	5,072
Due after five years through ten years	**5,112**	**4,736**	5,907	5,436
Due after ten years	**6,036**	**5,454**	5,961	5,319
Total	**$ 16,987**	**$ 15,833**	$ 17,606	$ 16,316

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of available-for-sale fixed maturity securities, with the related gross realized gains and losses, are shown below:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
Proceeds from sales of available-for-sale fixed maturity securities	**$ 1,513**	$ 3,477	**$ 3,530**	$ 3,759
Gross realized gains	**2**	10	**26**	99
Gross realized losses	**(30)**	(63)	**(89)**	(154)

Gains and losses are determined using first-in-first-out of the securities sold. In addition, the Company has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $126 million and $117 million at June 30, 2023 and December 31, 2022, respectively.

In accordance with various regulations, the Company has securities on deposit with regulating authorities with a carrying value of $30 million and $51 million at June 30, 2023 and December 31, 2022, respectively.

The gross unrealized losses and fair value of available-for-sale fixed maturity securities, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below:

AS AT JUN. 30, 2023 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	Less than 12 months			12 months or more			Total		
	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
U.S. treasury and government	17	$ (1)	$ 42	30	$ (36)	$ 93	**47**	**$ (37)**	**$ 135**
U.S. states and political subdivisions	489	(16)	684	40	(8)	97	**529**	**(24)**	**781**
Foreign governments	47	(5)	419	24	(14)	50	**71**	**(19)**	**469**
Corporate debt securities	1,416	(499)	6,112	1,076	(517)	5,610	**2,492**	**(1,016)**	**11,722**
Residential mortgage-backed securities	24	(3)	90	25	(1)	30	**49**	**(4)**	**120**
Commercial mortgage-backed securities	25	(6)	195	50	(19)	203	**75**	**(25)**	**398**
Collateralized debt securities	78	(21)	560	46	(8)	241	**124**	**(29)**	**801**
Total	**2,096**	**$ (551)**	**$ 8,102**	**1,291**	**$ (603)**	**$ 6,324**	**3,387**	**$ (1,154)**	**$ 14,426**

AS AT DEC. 31, 2022 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	Less than 12 months			12 months or more			Total		
	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
U.S. treasury and government	41	$ (36)	$ 104	5	$ (2)	$ 4	**46**	**$ (38)**	**$ 108**
U.S. states and political subdivisions	579	(25)	824	—	—	—	**579**	**(25)**	**824**
Foreign governments	13	(23)	258	11	(13)	25	**24**	**(36)**	**283**
Corporate debt securities	1,533	(943)	10,644	251	(192)	912	**1,784**	**(1,135)**	**11,556**
Residential mortgage-backed securities	46	(6)	93	—	—	—	**46**	**(6)**	**93**
Commercial mortgage-backed securities	62	(14)	231	12	(5)	29	**74**	**(19)**	**260**
Collateralized debt securities	82	(50)	762	12	(1)	17	**94**	**(51)**	**779**
Total	**2,356**	**$ (1,097)**	**$ 12,916**	**291**	**$ (213)**	**$ 987**	**2,647**	**$ (1,310)**	**$ 13,903**

Allowance for Credit Losses

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices. Based on this evaluation, unrealized losses on bonds available-for-sale where an allowance for credit loss was not recorded were concentrated in the Company's available-for-sale fixed maturity securities within the transportation sector.

The rollforward of the allowance for credit losses for available-for-sale fixed maturity securities is shown below for the three and six months ended June 30, 2023.

FOR THE THREE MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Corporate Debt Securities	Collateralized Debt Securities	Total
Beginning balance	$ (13)	$ (10)	**$ (23)**
Credit losses recognized on securities for which credit losses were not previously recorded	(17)	(13)	**(30)**
Reductions for securities sold during the period	1	—	**1**
Changes in previously recorded allowance	6	7	**13**
Balance at June 30, 2023	**$ (23)**	**$ (16)**	**$ (39)**

FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Corporate Debt Securities	Collateralized Debt Securities	Total
Beginning balance	$ (24)	$ (6)	**$ (30)**
Credit losses recognized on securities for which credit losses were not previously recorded	(18)	(18)	**(36)**
Reductions for securities sold during the period	14	2	**16**
Changes in previously recorded allowance	5	6	**11**
Balance at June 30, 2023	**$ (23)**	**$ (16)**	**$ (39)**

No accrued interest receivables were written off as of June 30, 2023.

FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ —	$ —	$ —	**$ —**
Acquisition from business combination	(11)	(1)	(1)	**(13)**
Reductions for securities sold during the period	11	1	1	**13**
Balance at June 30, 2022	**$ —**	**$ —**	**$ —**	**$ —**

There were no accumulated credit losses and no credit losses incurred during the three months ended March 31, 2022.

NOTE 4. EQUITY SECURITIES

The components of the change in net gains (losses) on equity securities recognized in net investment related gains (losses) on the statements of operations are shown below:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
Net gains (losses) on equity securities	**$ 245**	$ 25	**$ 156**	$ (25)

Equity securities by market sector distribution are shown below, based on fair value:

US$ MILLIONS	**June 30, 2023**	December 31, 2022
Consumer goods	**7 %**	**5 %**
Energy and utilities	**14 %**	**3 %**
Finance	**61 %**	**66 %**
Healthcare	**1 %**	**5 %**
Industrials	**1 %**	**2 %**
Information technology	**13 %**	**14 %**
Other	**3 %**	**5 %**
Total	**100 %**	**100 %**

NOTE 5. MORTGAGE LOANS ON REAL ESTATE

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. Non-accrual balances are those more than 90 days past due. The age analysis of loans by property type is shown below:

AS AT JUN. 30, 2023 US$ MILLIONS	**Current**	**Non-accrual**	**Total**	**Percentage**
Apartment	$ 1,020	$ —	$ 1,020	17 %
Hotel	1,028	—	1,028	17 %
Industrial	1,090	—	1,090	18 %
Office	1,049	27	1,076	18 %
Parking	417	—	417	7 %
Retail	836	25	861	15 %
Storage	128	—	128	2 %
Other	385	—	385	6 %
Total	$ 5,953	$ 52	$ 6,005	100 %
Allowance for credit losses			(47)	
Total, net of allowance			$ 5,958	

AS AT DEC. 31, 2022 US$ MILLIONS	Current	Non-accrual	Total	Percentage
Apartment	$ 907	$ —	$ 907	15 %
Hotel	1,114	—	1,114	19 %
Industrial	1,050	—	1,050	18 %
Office	1,160	27	1,187	20 %
Parking	420	—	420	7 %
Retail	874	—	874	15 %
Storage	120	—	120	2 %
Other	257	—	257	4 %
Total	$ 5,902	$ 27	$ 5,929	100 %
Allowance for credit losses			(41)	
Total, net of allowance			$ 5,888	

Allowance for Credit Losses

The rollforward of the allowance for credit losses for mortgage loans is shown below:

FOR THE SIX MONTHS ENDED JUN. 30 US$ MILLIONS	**2023**	2022
Balance at January 1	**$ (41)**	$ (1)
Provision	**(11)**	(2)
Balance at March 31	**(52)**	(3)
Recovery (provision)	**5**	(35)
Balance at June 30	**$ (47)**	$ (38)

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below:

AS AT US$ MILLIONS	**June 30, 2023**		December 31, 2022	
	Asset Balance	**Allowance**	Asset Balance	Allowance
Apartment	**$ 1,020**	**$ (8)**	$ 907	$ (1)
Hotel	**1,028**	**(8)**	1,114	(6)
Industrial	**1,090**	**(9)**	1,050	(4)
Office	**1,076**	**(8)**	1,187	(17)
Parking	**417**	**(3)**	420	(6)
Retail	**861**	**(7)**	874	(4)
Storage	**128**	**(1)**	120	(2)
Other	**385**	**(3)**	257	(1)
Total	**$ 6,005**	**$ (47)**	$ 5,929	$ (41)

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by property type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below:

	Amortized Cost Basis by Origination Year						
US$ MILLIONS	2023	2022	2021	2020	2019	Prior	Total
Apartment	$ 1	$ 472	$ 223	83	$ 140	$ 101	**$ 1,020**
Hotel	35	225	99	39	130	500	**1,028**
Industrial	—	310	183	217	130	250	**1,090**
Office	1	119	29	24	46	857	**1,076**
Parking	—	55	29	27	13	293	**417**
Retail	—	264	118	65	35	379	**861**
Storage	8	8	22	36	38	16	**128**
Other	105	139	45	—	28	68	**385**
Total	**$ 150**	**$ 1,592**	**$ 748**	**$ 491**	**$ 560**	**$ 2,464**	**$ 6,005**
Allowance for credit losses							**(47)**
Total, net of allowance							**$ 5,958**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At June 30, 2023, two commercial loans were past due over 90 days or in non-accrual status (December 31, 2022 - one commercial loan).

NOTE 6. PRIVATE LOANS

The following table summarizes the credit ratings for private loans:

AS AT US$ MILLIONS	June 30, 2023	December 31, 2022
A or higher	$ 53	$ 4
BBB	34	17
BB and below	455	395
Unrated	795	728
Total	**$ 1,337**	**$ 1,144**

Allowance for Credit Losses

The rollforward of the allowance for credit losses for private loans is shown below:

FOR THE PERIOD ENDED JUN. 30 US$ MILLIONS	2023	2022
Balance at January 1	$ (28)	$ (12)
Recoveries	1	3
Balance at March 31	**$ (27)**	$ (9)
Provision	(3)	(4)
Balance at June 30	**$ (30)**	$ (13)

NOTE 7. REAL ESTATE AND REAL ESTATE PARTNERSHIPS

The carrying amount of investment real estate, net of accumulated depreciation, and real estate partnerships by property-type are as follows:

AS AT US$ MILLIONS, EXCEPT FOR PERCENTAGES	June 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Hotel	$ 85	4 %	$ 77	7 %
Industrial	161	7 %	168	16 %
Land	48	2 %	48	5 %
Office	1,296	58 %	243	23 %
Retail	211	9 %	212	20 %
Apartments	420	19 %	254	25 %
Other	3	1 %	34	4 %
Total	**$ 2,224**	**100 %**	$ 1,036	100 %

The Company regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities ("VIEs"). In certain instances, in addition to an economic interest in the entity, the Company holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment. The Company has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs as at June 30, 2023 or December 31, 2022.

NOTE 8. EQUITY METHOD INVESTMENTS

The Company's total investment in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships as at June 30, 2023 and December 31, 2022, was $3.3 billion and $2.8 billion, respectively.

The Company generally recognizes its share of earnings in its equity method investments within net investment income using a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period. Aggregate net investment income from these equity method investments exceeded 10% of the Company's consolidated pre-tax income (loss) for the most recent annual period and 20% for the interim period.

Aggregate total assets of these entities totaled $4.1 billion and $2.4 billion as at June 30, 2023 and December 31, 2022, respectively. Aggregate net income (loss) of these entities totaled $94 million and $46 million for the six months ended June 30, 2023 and six months ended June 30, 2022, respectively. Aggregate net income (loss) from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income (loss) and realized and unrealized investment gains (losses).

NOTE 9. DERIVATIVE INSTRUMENTS

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, options, cross currency swaps, interest rate swaps and warrants. The Company purchases equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments. The Company does not invest in derivatives for speculative purposes.

Foreign exchange forwards, options, cross currency swaps, interest rate swaps and warrants are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default.

Derivatives, except for embedded derivatives, are included in Other Invested Assets or Other Liabilities, at fair value. Embedded derivative assets and liabilities on Modco arrangements and embedded derivative liabilities on indexed annuity and variable annuity products are included on the statements of financial position within the Reinsurance Funds Withheld, and Policyholders' Account Balances lines respectively, at fair value.

The detail of derivative instruments is shown below:

US$ MILLIONS **Derivatives not designated as hedging instruments**	**Primary underlying risk**	**Location in the Consolidated Statements of Financial Position**	**June 30, 2023** **Notional Amount**	**June 30, 2023 Carrying Value / Fair Value** **Assets**	**June 30, 2023 Carrying Value / Fair Value** **Liabilities**	December 31, 2022 Notional Amount	December 31, 2022 Carrying Value / Fair Value Assets	December 31, 2022 Carrying Value / Fair Value Liabilities
Equity-indexed options	Equity	Other invested assets	**$ 8,178**	**$ 104**	**$ —**	$ 7,452	$ 157	$ —
Foreign exchange forwards	Foreign Currency	Other invested assets	**2,567**	**39**	**—**	2,809	7	(12)
Bond futures	Interest Rate	Other invested assets	**1,786**	**—**	**(4)**	1,504	—	(25)
Cross currency swaps	Foreign Currency	Other invested assets	**17**	**1**	**—**	17	1	—
Interest rate swaps	Interest Rate	Other invested assets	**13**	**1**	**—**	15	1	—
Embedded derivatives in:								
Modco arrangement	Interest rate	Reinsurance funds withheld	—	**126**	**—**	—	151	—
Indexed annuity and variable annuity product	Interest rate	Policyholder account balances	—	**—**	**(1,044)**	—	—	(907)
			$ 12,561	**$ 271**	**$ (1,048)**	$ 11,797	$ 317	$ (944)

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS **Derivatives not designated as hedging instruments**	**Locations in the Consolidated Statements of Operations**	**Gains (Losses) Recognized in Income on Derivatives** **Three Months Ended** **2023**	**Three Months Ended** 2022	**Six Months Ended** **2023**	**Six Months Ended** 2022
Equity-indexed options	Investment related gains (losses), net	**$ 68**	$ (60)	**$ 93**	$ (60)
Foreign exchange forwards	Investment related gains (losses), net	**41**	(25)	**37**	105
Bond futures	Investment related gains (losses), net	**(24)**	(1)	**(9)**	(4)
Embedded derivatives in:					
Modco arrangement	Net investment results from funds withheld	**27**	(6)	**(10)**	12
Indexed annuity and variable annuity product	Interest sensitive contract benefits	**(43)**	(93)	**(39)**	(90)
		$ 69	$ (185)	**$ 72**	$ (37)

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government-backed assets. The non-performance risk is the net counterparty exposure based on fair value of open contracts less fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. A right of offset has been applied to collateral that supports credit risk and has been recorded in the condensed consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Information regarding the Company's exposure to credit loss on the derivatives it holds is presented below:

AS AT JUN. 30, 2023 US$ MILLIONS **Derivative Type**	**Derivative Fair Value**	**Collateral Held in Cash[1]**	**Collateral Held in Invested Assets[1]**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Equity-indexed options	$ 311	$ 193	$ 21	$ 214	$ 208	$ 6	$ 104
Foreign exchange forwards	39	—	—	—	—	—	39
Bond futures	(4)	—	—	—	(4)	4	(4)
Cross currency swaps	1	—	—	—	—	—	1
Interest rate swaps	1	—	—	—	—	—	1
	$ 348	**$ 193**	**$ 21**	**$ 214**	**$ 204**	**$ 10**	**$ 141**

1. Our PRT business had $89 million collateral held in cash and invested assets at June 30, 2023 that are not offset against its derivative contracts.

AS AT DEC. 31, 2022 US$ MILLIONS **Derivative Type**	**Derivative Fair Value**	**Collateral Held in Cash[1]**	**Collateral Held in Invested Assets[1]**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Equity-indexed options	$ 157	$ 101	$ 20	$ 121	$ 121	$ —	$ 36
Foreign exchange forwards	(5)	—	—	—	—	—	(6)
Bond futures	(25)	—	—	—	—	—	(25)
Cross currency swaps	1	—	—	—	—	—	1
Interest rate swaps	1	—	—	—	—	—	1
	$ 129	**$ 101**	**$ 20**	**$ 121**	**$ 121**	**$ —**	**$ 7**

1. Our PRT business had $81 million collateral held in cash and invested assets as at December 31, 2022 that are not offset against its derivative contracts.

NOTE 10. NET INVESTMENT INCOME AND REALIZED INVESTMENT GAINS

Net investment income is shown below:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
Available-for-sale fixed maturity securities	**$ 216**	$ 84	**$ 420**	$ 107
Mortgage loans	**76**	29	**149**	33
Private loans	**22**	10	**35**	17
Real estate and real estate partnerships	**15**	22	**34**	22
Investment funds	**45**	9	**64**	25
Equity accounted investments	**—**	50	**—**	50
Short-term investments and other invested assets	**66**	(9)	**138**	(3)
Total net investment income	**$ 440**	$ 195	**$ 840**	$ 251

Net unrealized and realized investment gains (losses) are shown below:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
Available-for-sale fixed maturity securities	**$ (40)**	$ (54)	**$ (68)**	$ (56)
Equity securities	**245**	25	**156**	(25)
Mortgage loans	**(1)**	(43)	**(12)**	(44)
Private loans	**(3)**	—	**(3)**	—
Short-term investments and other invested assets	**91**	(63)	**113**	18
Total investment related gains (losses), net	**$ 292**	$ (135)	**$ 186**	$ (107)

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments are shown below:

AS AT US$ MILLIONS	June 30, 2023 Carrying Amount	June 30, 2023 Fair Value	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value
Financial assets				
Available-for-sale fixed maturity securities	**$ 15,833**	**$ 15,833**	$ 16,316	$ 16,316
Equity securities	**1,362**	**1,362**	1,253	1,253
Mortgage loans on real estate, net of allowance	**5,958**	**5,752**	5,888	5,637
Private loans, net of allowance	**1,337**	**1,336**	1,144	1,086
Policy loans	**381**	**381**	374	374
Short-term investments	**2,905**	**2,905**	2,402	2,402
Other invested assets:				
Derivative assets	**145**	**145**	44	44
Separately managed accounts	**127**	**127**	127	127
Other	**130**	**116**	40	40
Reinsurance funds withheld	**6,540**	**6,540**	5,812	5,812
Separate account assets[1]	**1,145**	**1,145**	1,045	1,045
Total financial assets	**$ 35,863**	**$ 35,642**	$ 34,445	$ 34,136
Financial liabilities				
Policyholders' account balances – embedded derivative	**$ 1,044**	**$ 1,044**	$ 907	$ 907
Market risk benefits	**131**	**131**	124	124
Other liabilities:				
Derivative liabilities	**4**	**4**	38	38
Funds withheld liabilities	**15**	**15**	10	10
Notes payable	**158**	**158**	151	151
Corporate and Subsidiary Borrowings	**3,234**	**3,209**	3,652	3,625
Separate account liabilities[1]	**1,145**	**1,145**	1,045	1,045
Total financial liabilities	**$ 5,731**	**$ 5,706**	$ 5,927	$ 5,900

1. Balance includes $30 million and $33 million of assets, and corresponding liabilities, that are not subject to fair value hierarchy as at June 30, 2023 and December 31, 2022, respectively.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. The Company has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect The Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation

Valuation Techniques for Financial Instruments Recorded at Fair Value

Available-for-sale Fixed Maturity Securities and Equity Options — The Company utilizes pricing services to estimate fair value measurements. The fair value for available-for-sale fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most available-for-sale fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for available-for-sale fixed maturity securities that have quoted prices in active markets. Since available-for-sale fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

The Company has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant's assumptions. The Company does not adjust quotes received from the pricing service. The pricing service utilized by The Company has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

The Company holds a small amount of private placement debt and available-for-sale fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent pricing source (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, the Company includes these fair value estimates in Level 3.

For securities priced using a quote from an independent pricing source, such as the equity-indexed options and certain available-for-sale fixed maturity securities, The Company uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities — For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for available-for-sale fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. The Company tests the accuracy of the information provided by reference to other services annually.

Short-term Investments — Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Separate Account Assets and Liabilities — Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of The Company. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. The Company reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from The Company's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, The Company's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the condensed consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of The Company.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and available-for-sale fixed maturity. Equity securities are classified as Level 1 measurements. Short-term investments and available-for-sale fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investment funds, accrued investment income, and receivables for securities. These are not included in the quantitative disclosures of fair value hierarchy table.

No gains or losses were recognized on assets transferred to separate accounts for the three and six months ended June 30, 2023 and 2022, respectively.

Reinsurance Funds Withheld — Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Market Risk Benefits are classified as Level 3 fair value measurements as the fair value is based on unobservable inputs. The key assumptions for calculating the fair value of the MRBs are market assumptions such as equity market returns, interest rate levels, market volatility and correlations and policyholder behavior assumptions such as lapse, mortality, utilization and withdrawal patterns. Risk margins are included in the policyholder behavior assumptions. The assumptions are based on a combination of historical data and actuarial judgment. The MRBs are valued using stochastic models that incorporate a spread reflecting our nonperformance risk.

Derivative Assets/Derivative Liabilities

- Foreign currency forward contracts — discounted cash flow model — forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate.
- Interest rate contracts - discounted cash flow model - forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.

- Warrants – intrinsic value based on the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
- Equity-index options – inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Embedded Derivatives — The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract's surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.
- Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index.

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

AS AT US$ MILLIONS	Fair Value June 30, 2023	 December 31, 2022	Unobservable Input
Embedded derivative			
Indexed Annuities and indexed life	$ 808	$ 726	Lapse Rate
			Mortality Multiplier
			Equity Volatility

Funds withheld liabilities — Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

The fair value hierarchy measurements of the financial instruments are shown below:

US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level at June 30, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 137	$ 81	$ 56	$ —
U.S. states and political subdivisions	811	—	811	—
Foreign governments	525	—	525	—
Corporate debt securities	12,640	—	11,063	1,577
Residential mortgage-backed securities	123	—	123	—
Commercial mortgage-backed securities	444	—	414	30
Collateralized debt securities	1,153	—	562	591
Total fixed maturity, available-for-sale	**15,833**	**81**	**13,554**	**2,198**
Equity securities				
Common stock	1,242	1,241	—	1
Preferred stock	75	35	—	40
Private equity and other	45	—	—	45
Total equity securities	**1,362**	**1,276**	**—**	**86**
Short-term investments	2,905	1,183	24	1,698
Other invested assets:				
Derivative assets	145	—	137	8
Separately managed accounts	127	—	—	127
Reinsurance funds withheld	6,540	—	6,540	—
Separate account assets	1,115	372	743	—
Total financial assets	**$ 28,027**	**$ 2,912**	**$ 20,998**	**$ 4,117**
Financial liabilities				
Policyholders' account balances – embedded derivative	1,044	—	236	808
Market risk benefit	131	—	—	131
Other liabilities:				
Derivative liabilities	4	4	—	
Funds withheld liabilities	15	—	15	—
Separate account liabilities	1,115	372	743	—
Total Financial liabilities	**$ 2,309**	**$ 376**	**$ 994**	**$ 939**

US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 110	$ 40	$ 70	$ —
U.S. states and political subdivisions	855	—	855	—
Foreign governments	318	—	318	—
Corporate debt securities	13,491	—	13,045	446
Residential mortgage-backed securities	127	—	127	—
Commercial mortgage-backed securities	408	—	408	—
Collateralized debt securities	1,007	—	561	446
Total fixed maturity, available-for-sale	**16,316**	**40**	**15,384**	**892**
Equity securities				
Common stock	1,156	989	—	167
Preferred stock	75	36	—	39
Private equity and other	22	—	—	22
Total equity securities	**1,253**	**1,025**	**—**	**228**
Short-term investments	2,402	1,160	—	1,242
Other invested assets:				
Derivative assets	44	—	43	1
Separately managed accounts	127	—	—	127
Reinsurance funds withheld	5,806	—	5,806	—
Separate account assets	1,012	313	699	—
Total financial assets	**$ 26,960**	**$ 2,538**	**$ 21,932**	**$ 2,490**
Financial liabilities				
Policyholders' account balances – embedded derivative	907	—	181	726
Market risk benefit	124	—	—	124
Other liabilities:				
Derivative liabilities	38	25	13	
Funds withheld liabilities	10	—	10	—
Separate account liabilities	1,012	313	699	—
Total Financial liabilities	**$ 2,091**	**$ 338**	**$ 903**	**$ 850**

There were no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. The Company's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions.

Equity-Index Options — Certain over the counter equity options are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Available-for-sale fixed maturity Securities — These bonds use cost as the best estimate of fair value. They are valued at cost because the value would not change unless there is a fundamental deterioration in the portfolio. There is no observable market valuation price or third-party sources that provide market values for these securities since they are not publicly traded. The common and preferred stock are valued at market transaction, option pricing method, or guideline public company method based on the best available information.

Separately Managed Accounts — The separately managed account manager uses the mid-point of a range from a third-party to price these securities. Discounted cash flows (yield analysis) and market transactions approach are used in the valuation. They use discount rates which is considered an unobservable input.

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair value is discussed below:

Mortgage Loans — The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property-type, lien priority, payment type and current status.

Policy Loans — The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, as such the carrying value of policy loans approximates fair value.

Corporate and Subsidiary Borrowings — Corporate and Subsidiary Borrowings are carried at outstanding principal balance. The carrying value approximates fair value because the carrying value represents the amount owing and payable to the creditor at the balance sheet date.

Notes Payable — Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below:

AS AT JUN. 30, 2023 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,958	$ 5,752
Private loans, net of allowance	3	1,337	1,336
Policy loans	3	381	381
Other invested assets, excluding derivatives and separately managed accounts	3	130	116
Total financial assets		**$ 7,806**	**$ 7,585**
Financial liabilities			
Corporate and subsidiary borrowings	3	$ 3,234	$ 3,209
Notes payable	3	158	158
Total financial liabilities		**$ 3,392**	**$ 3,367**

AS AT DEC. 31, 2022 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,888	$ 5,637
Private loans, net of allowance	3	1,144	1,086
Policy loans	3	374	374
Other invested assets, excluding derivatives and separately managed accounts	3	127	127
Total financial assets		**$ 7,533**	**$ 7,224**
Financial liabilities			
Corporate and subsidiary borrowings	3	$ 3,652	$ 3,625
Notes payable	3	151	151
Total financial liabilities		**$ 3,803**	**$ 3,776**

For financial assets measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below:

FOR THE THREE MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Investment Securities	Derivative Assets	Separately Managed Accounts	Total
Balance, beginning of period	$ 3,385	$ 11	$ 127	$ 3,523
Fair value changes in net income	(292)	(5)	(1)	(298)
Purchases	911	31	3	945
Sales	(31)	—	(2)	(33)
Settlements or maturities	—	(29)	—	(29)
Transfers into Level 3	30	—	—	30
Transfers out of Level 3	(21)	—	—	(21)
Balance, end of period	**$ 3,982**	**$ 8**	**$ 127**	**$ 4,117**

FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Investment Securities	Derivative Assets	Separately Managed Accounts	Total
Balance, beginning of period	$ 2,362	$ 1	$ 127	$ 2,490
Fair value changes in net income	(291)	(16)	(1)	(308)
Fair value changes in other comprehensive income	77	—	—	77
Purchases	2,167	61	12	2,240
Sales	(342)	—	(11)	(353)
Settlements or maturities	—	(38)	—	(38)
Transfers into Level 3	30	—	—	30
Transfers out of Level 3	(21)	—	—	(21)
Balance, end of period	**$ 3,982**	**$ 8**	**$ 127**	**$ 4,117**

FOR THE THREE MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Investment Securities	Derivative Assets	Separately Managed Accounts	Total
Balance, beginning of period	$ 110	$ —	$ —	$ 110
Acquisitions from business combination	376	3	113	492
Fair value changes in net income	—	(9)	—	(9)
Fair value changes in other comprehensive income	(1)	—	—	(1)
Purchases	380	9	11	400
Sales	(3)	—	(6)	(9)
Settlements or maturities	—	(3)	—	(3)
Transfers out of Level 3	(20)	—	—	(20)
Balance, end of period	**$ 842**	**$ —**	**$ 118**	**$ 960**

FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Investment Securities	Derivative Assets	Separately Managed Accounts	Total
Balance, beginning of period	$ 109	$ —	$ —	$ 109
Acquisitions from business combination	376	3	113	492
Fair value changes in net income	1	(9)	—	(8)
Fair value changes in other comprehensive income	(1)	—	—	(1)
Purchases	380	9	11	400
Sales	(3)	—	(6)	(9)
Settlements or maturities	—	(3)	—	(3)
Transfers out of Level 3	(20)	—	—	(20)
Balance, end of period	**$ 842**	**$ —**	**$ 118**	**$ 960**

There were no level 3 financial liabilities recorded at fair value on a recurring basis during the six months ended June 30, 2023 and June 30, 2022.

The following summarizes the fair value, valuation techniques and unobservable inputs of the Level 3 fair value measurements:

Type of Asset	Valuation Techniques	Significant Unobservable Inputs
Equity-index Option	Heston and Black-Scholes Valuation models	• Interest rate (risk-free rate assumptions) • Underlying equity quoted index prices
Available-for-sale fixed maturity securities	Corporate debt securities • Discounted cash flows (yield analysis) • Income approach • Price at cost	Corporate debt securities • Contractual cash flows • Duration • Call provisions • Weighted-average life • Risk premium • Coupon rate
	Collateralized debt securities • Broker quotes • Income approach	Collateralized debt securities • Contractual cash flows • Weighted-average coupon and maturity • Collateral type • Loss severity • Geography
Common shares, preferred shares and private equity	• Broker quotes • Income approach • Current Value Method ("CVM") • Guideline public company method[1]	• Security structure • Last Twelve Months ("LTM") Revenue Multiple[3] • Next Calendar Year ("NCY") Revenue Multiple[5] • NCY +1 EBITDA Multiple[4] • LTM EBITDA Multiple[2]
Separately managed accounts	Common Stock and Warrants • Guideline public company method uses price multiples from data on comparable public companies. • Option pricing method • CVM	Common Stock and Warrants • NCY Multiple • NCY +1 EBITDA Multiple[4] • LTM Revenue Multiple[3] • LTM EBITDA Multiple[2] • Term • Volatility • Discount for lack of marketability ("DLOM")
	Preferred Stock • Guideline public company method uses price multiples from data on comparable public companies. • CVM	Preferred Stock • NCY Revenue Multiple[5] • NCY +1 EBITDA Multiple[4] • LTM Revenue Multiple[3] • LTM EBITDA Multiple[2]
	Fixed Income • Discounted cash flows (yield analysis) • market transactions approach • CVM • Cost	Fixed Income • Discount rate • NCY EBITDA

1. Guideline public company method uses price multiples from data on comparable public companies. Multiples are then adjusted to account for differences between what is being valued and comparable firms.
2. Last Twelve Months ("LTM") EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12-month period.
3. LTM Revenue Multiple valuation metric shows revenue for the past 12-month period.
4. Next Calendar Year ("NCY") EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.
5. NCY Revenue forecast revenue over the next calendar year.

NOTE 12. REINSURANCE

NER SPC and NER Ltd. are the reinsurers of the Company's operation. The reinsurance transactions are majorly structured as Modco arrangements with reinsurance funds withheld.

The following table summarized the Company's reinsurance funds withheld, deposit liability, policyholders' account balances and embedded derivatives by accounting classification related to its reinsurance business.

AS AT JUN. 30, 2023 US$ MILLIONS	Deposit accounting	Interest sensitive investment type	Total
Asset			
Reinsurance funds withheld, net	$ 1,586	$ 4,828	$ 6,414
Embedded derivatives	16	110	126
Reinsurance funds withheld, total			**6,540**
Liability			
Policyholders' account balance, excluding embedded derivatives	$ —	$ 6,758	6758
Embedded derivatives	—	236	236
Policyholders' account balance, total			**$ 6,994**
Deposit liability	$ 1,632	$ —	$ 1,632

AS AT DEC. 31, 2022 US$ MILLIONS	Deposit accounting	Interest sensitive investment type	Total
Asset			
Reinsurance funds withheld, net	$ 1,603	$ 4,049	$ 5,652
Embedded derivatives	17	137	154
Reinsurance funds withheld, total			**5,806**
Liability			
Policyholders' account balance, excluding embedded derivatives	$ —	$ 5,652	5652
Embedded derivatives	—	181	181
Policyholders' account balance, total			**$ 5,833**
Deposit liability	$ 1,657	$ —	$ 1,657

The Company reinsures its business through a diversified group of reinsurers. However, the Company remains liable to the extent its reinsurers do not meet their obligations under the reinsurance agreements. The Company monitors trends in arbitration and any litigation outcomes with its reinsurers. Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers.

FOR THE SIX MONTHS ENDED JUN. 30 US$ MILLIONS	2023	2022
Premiums:		
Direct premiums	**$ 2,528**	$ 1,392
Reinsurance ceded	**(629)**	(82)
Net premiums	**$ 1,899**	$ 1,310
Claims and policyholder benefits:		
Claims incurred and benefits paid	**$ (2,217)**	$ (1,332)
Reinsurance ceded	**342**	79
Net claims incurred and benefits paid	**$ (1,875)**	$ (1,253)

NOTE 13. SEPARATE ACCOUNT ASSETS AND LIABILITIES

The following table presents the change of the Company's separate account assets and liabilities:

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30 US$ MILLIONS	2023	2022
Balance, beginning of period	**$ 1,045**	$ —
Additions (deductions)		
Acquisition from business combination	**—**	1,123
Policyholder deposits	**38**	6
Net investment income	**13**	2
Net realized capital gains on investments	**114**	(60)
Policyholder benefits and withdrawals	**(58)**	(10)
Net transfer from separate account	**(1)**	(1)
Policy charges	**(6)**	(1)
Total changes	**100**	1,059
Balance, end of period	**$ 1,145**	$ 1,059

NOTE 14. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The following table presents a rollforward of deferred acquisition costs and value of business acquired for the periods indicated:

FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ 661	$ 924	**$ 1,585**
Additions	441	253	**694**
Amortization	(262)	(31)	**(293)**
Net change	179	222	**401**
Balance, end of period	**$ 840**	**$ 1,146**	**$ 1,986**

FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ —	$ 710	$ 710
Acquisition from business combinations and additions	585	106	691
Amortization	(44)	(23)	(67)
Net change	541	83	624
Balance, end of period	**$ 541**	**$ 793**	**$ 1,334**

The following table presents a rollforward of VOBA for the periods indicated:

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	VOBA Asset	VOBA Liability
Balance, beginning of period	$ 404	$ (884)
Additions	36	—
Amortization	(55)	67
Balance, end of period	**$ 385**	**$ (817)**

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	VOBA Asset	VOBA Liability
Balance, beginning of period	$ —	$ —
Acquisition from business combination	538	(913)
Amortization	(16)	4
Balance, end of period	**$ 522**	**$ (909)**

The following table provides the projected VOBA asset amortization expenses for a five-year period and thereafter:

Years	VOBA Asset
2023	$ 17
2024	31
2025	28
2026	25
2027	22
Thereafter	262
Total amortization expense	**$ 385**

NOTE 15. ACQUISITION OF BUSINESS

On May 25, 2022, the Company acquired American National. American National offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Under the terms of the Merger Agreement, the Company acquired 100% of all American National issued and outstanding shares in exchange for $190 per share, which is equivalent to $5.1 billion. The consideration was all cash. The Company acquired all assets and assumed all liabilities of American National as of the closing date, and consolidates the business for financial statement purposes. The acquired business contributed revenues of $223 million and net profit of $16 million to the Company for the period from May 25 to June 30, 2022.

As part of re-assessing the final valuations of certain assets, such as intangible assets and goodwill, and certain liabilities, the Company recognized measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Measurement period adjustments consist primarily with a decrease of $37 million to property and equipment, a decrease of $16 million to value of business acquired, an increase of $19 million to goodwill, a decrease of $29 million to future policy benefits, and a decrease of $5 million to other liabilities. The valuation has been finalized in the second quarter of 2023. The updated fair value of assets acquired and liabilities as of June 30, 2023 assumed are as follows:

Assets acquired	
Cash and cash equivalents	$ 1,021
Investments	22,519
Accrued investment income	101
Reinsurance recoverables	45
Premiums due and other receivables	437
Deferred tax assets	374
Property and equipment	138
Prepaid pension	149
Equity accounted investment	1,402
Deferred acquisition costs and value of business acquired	555
Reinsurance assets	410
Investment properties	541
Other assets	198
Separate account assets	1,123
Total assets acquired	**29,013**
Liabilities assumed	
Future policy benefits	5,304
Policyholders' account balances	13,880
Policy and contract claims	1,706
Unearned premium reserve	1,073
Other policyholder funds	324
Notes payable	158
Other liabilities	449
Separate account liabilities	1,123
Total liabilities assumed	**24,017**
Less: Non-controlling interest	**(10)**
Net assets acquired	**4,986**
Goodwill	**$ 121**

NOTE 16. ASSETS HELD FOR SALE

On June 2023, American National finalized an agreement to sell its health insurance business to a third party. The business is being acquired by the third party for cash through the acquisition of 100% of the stock of one of American National's wholly-owned subsidiaries and certain reinsurance transactions. The completion of the transaction will be conditional upon obtaining the required regulatory approvals and is expected to close in the fourth quarter of 2023.

The carrying amounts of the major classes of assets and liabilities classified as held-for-sale are shown below:

AS AT JUN. 30, 2023 US$ MILLIONS		**2023**
Cash and cash equivalents	$	38
Reinsurance recoverables		174
Premiums due and other receivables		37
Other assets		13
Total assets		**262**
Policy and contract claims		175
Other liabilities		56
Total liabilities	**$**	**231**

There were no assets held for sale as at December 31, 2022.

NOTE 17. FUTURE POLICY BENEFITS

The reconciliation of the balances described in the table below to the future policy benefits in the statements of financial position is as follows.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS		**2023**		2022
Future policy benefits				
Direct Insurance	**$**	**3,218**	$	3,136
Pension Risk Transfer		**3,676**		2,964
Deferred profit liability				
Direct Insurance		**58**		24
Pension Risk Transfer		**229**		187
Other contracts and VOBA liability		**1,682**		1,700
Total future policy benefits	**$**	**8,863**	$	8,011

a. Future Policy Benefits

The balances and changes in the liability for future policy benefits are as follows:

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Balance, beginning of period	$ 3,775	$ —	**$ 3,775**
Beginning balance at original discount rate	4,087	—	**4,087**
Effect of changes in cash flow assumptions	21	—	**21**
Effect of actual variances from expected experience	(26)	—	**(26)**
Adjusted beginning of period balance	4,082	—	**4,082**
Issuances	67	657	**724**
Interest accrual	62	6	**68**
Net premiums collected	(200)	(663)	**(863)**
Derecognitions (lapses and withdrawals)	(16)	—	**(16)**
Ending balance at original discount rate	3,995	—	**3,995**
Effect of changes in discount rate assumptions	(238)	—	**(238)**
Balance, end of period	$ 3,757	$ —	**$ 3,757**
Present value of expected future policy benefits			
Balance, beginning of period	$ 6,909	$ 2,966	**$ 9,875**
Beginning balance at original discount rate	7,546	3,307	**10,853**
Effect of changes in cash flow assumptions	21	(11)	**10**
Effect of actual variances from expected experience	(24)	(17)	**(41)**
Adjusted beginning of period balance	7,543	3,279	**10,822**
Issuances	67	660	**727**
Interest accrual	113	72	**185**
Benefit payments	(247)	(133)	**(380)**
Derecognitions (lapses and withdrawals)	(16)	—	**(16)**
Foreign currency translation	—	75	**75**
Ending balance at original discount rate	7,460	3,953	**11,413**
Effect of changes in discount rate assumptions	(485)	(271)	**(756)**
Effect of foreign currency translation on the effect of changes in discount rate assumptions	—	(6)	**(6)**
Balance, end of period	6,975	3,676	**10,651**
Net liability for future policy benefits	**3,218**	**3,676**	**6,894**
Less: Reinsurance recoverables	(58)	(55)	**(113)**
Net liability for future policy benefits, after reinsurance recoverable	**$ 3,160**	**$ 3,621**	**$ 6,781**

AS AT JUN. 30, 2023	Direct Insurance	Pension Risk Transfer
Weighted-average liability duration of future policy benefits (years)	13	9

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Acquisition from business combination	4,188	—	**4,188**
Issuances	18	1,073	**1,091**
Interest accrual	6	11	**17**
Net premiums collected	(37)	(1,084)	**(1,121)**
Foreign currency translation	—	—	—
Ending balance at original discount rate	4,175	—	**4,175**
Effect of changes in discount rate assumptions	(99)	—	**(99)**
Effect of changes in discount rate assumptions	(99)	—	**(99)**
Balance, end of period	$ 4,076	$ —	**$ 4,076**
Present value of expected future policy benefits			
Balance, beginning of period	$ —	$ 2,171	**$ 2,171**
Beginning balance at original discount rate	—	2,071	**2,071**
Effect of changes in cash flow assumptions	—	(11)	**(11)**
Effect of actual variances from expected experience	—	6	**6**
Adjusted beginning of period balance	—	2,066	**2,066**
Acquisition from business combination	7,665	—	**7,665**
Issuances	18	1,092	**1,110**
Interest accrual	11	42	**53**
Benefit payments	(46)	(70)	**(116)**
Derecognitions (lapses and withdrawals)	—	—	—
Foreign currency translation	—	(55)	**(55)**
Ending balance at original discount rate	7,648	3,075	**10,723**
Effect of foreign currency translation on the effect of changes in discount rate assumptions	—	3	**3**
Effect of changes in discount rate assumptions	(202)	(313)	**(515)**
Balance, end of period	7,446	2,765	**10,211**
Net liability for future policy benefits	**3,370**	**2,765**	**6,135**
Less: Reinsurance recoverables	(73)	(99)	**(172)**
Net liability for future policy benefits, after reinsurance recoverable	**$ 3,297**	**$ 2,666**	**$ 5,963**

AS AT JUN. 30, 2022	Direct Insurance	Pension Risk Transfer
Weighted-average liability duration of future policy benefits (years)	13	9

The amount of undiscounted expected gross premiums and expected future benefit payments follows:

AS AT JUN. 30 US$ MILLIONS	**2023**		2022	
	Undiscounted	**Discounted**	Undiscounted	Discounted
Direct Insurance				
Expected future benefit payments	**$ 14,404**	**$ 6,975**	$ 14,479	$ 7,446
Expected future gross premiums	**9,516**	**4,948**	9,743	5,249
Pension Risk Transfer				
Expected future benefit payments	**6,061**	**3,676**	4,607	2,765
Expected future gross premiums	**—**	**—**	—	—
Total				
Expected future benefit payments	**20,465**	**10,651**	19,086	10,211
Expected future gross premiums	**9,516**	**4,948**	9,743	5,249

The amount of revenue and interest recognized in the statements of operations follows:

FOR THE THREE MONTHS ENDED JUN. 30 US$ MILLIONS	**Gross Premiums or Assessments**		**Interest Expense**	
	2023	2022	**2023**	2022
Direct Insurance	**$ 160**	$ 47	**$ 51**	$ 5
Pension Risk Transfer	**499**	1,128	**37**	15

FOR THE SIX MONTHS ENDED JUN. 30 US$ MILLIONS	**Gross Premiums or Assessments**		**Interest Expense**	
	2023	2022	**2023**	2022
Direct Insurance	**$ 292**	$ 47	**$ 74**	$ 5
Pension Risk Transfer	**675**	1,237	**37**	15

The weighted-average interest rate follows:

FOR THE SIX MONTHS ENDED JUN. 30	**2023**	2022
Direct Insurance		
Interest accretion rate	**5 %**	4 %
Current discount rate	**5 %**	5 %
Pension Risk Transfer		
Interest accretion rate	**5 %**	3 %
Current discount rate	**6 %**	4 %

b. Deferred Profit Liability

For limited-pay products, gross premiums received in excess of net premiums are deferred at initial recognition as deferred profit liability ("DPL"). The assumptions and reflection of experience for DPL will be consistent with those used in the liability for future policy benefits, including the remeasurement methodology. The discount rate used in calculating DPL will be consistent with the locked-in rate used for the liability for future policy benefits.

DPL is amortized in income on a constant basis in relation with benefit payments. For life contingent payout annuities DPL is amortized over expected future benefit payments.

For limited payment traditional life permanent contracts, DPL is amortized over face amount for limited payment traditional life permanent contracts.

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	**Direct Insurance**	**Pension Risk Transfer**	**Total**
Balance, beginning of period	$ 24	$ 187	**$ 211**
Effect of changes in cash flow assumptions	—	11	**11**
Effect of actual variances from expected experience	—	21	**21**
Adjusted beginning of period balance	24	219	**243**
Profits deferred	34	10	**44**
Interest accrual	1	4	**5**
Amortization	(1)	(8)	**(9)**
Foreign currency translation	—	4	**4**
Balance, end of period	**$ 58**	**$ 229**	**$ 287**

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of period	$ —	$ 158	**$ 158**
Effect of changes in cash flow assumptions	—	12	**12**
Effect of actual variances from expected experience	—	(6)	**(6)**
Adjusted beginning of period balance	—	164	**164**
Acquisition from business combination	—	—	**—**
Profits deferred	3	30	**33**
Interest accrual	—	3	**3**
Amortization	—	(6)	**(6)**
Foreign currency translation	—	(3)	**(3)**
Balance, end of period	**$ 3**	**$ 188**	**$ 191**

NOTE 18. POLICYHOLDERS' ACCOUNT BALANCES

Policyholders' account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances follow.

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ 14,308	$ 5,833	**$ 20,141**
Issuances	2,695	86	**2,781**
Premiums received	215	1,101	**1,316**
Policy charges	(185)	(19)	**(204)**
Surrenders and withdrawals	(1,276)	(109)	**(1,385)**
Interest credited	276	16	**292**
Benefit payments	—	(19)	**(19)**
Other	(8)	104	**96**
Balance, end of period	**$ 16,025**	**$ 6,993**	**$ 23,018**

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	—	$ 4,677	**$ 4,677**
Acquisition from business combination	13,802	—	**$ 13,802**
Issuances	101	29	**130**
Premiums received	35	424	**459**
Policy charges	(30)	(13)	**(43)**
Surrenders and withdrawals	(105)	(75)	**(180)**
Interest credited	4	25	**29**
Benefit payments	—	(34)	**(34)**
Other	—	(52)	**(52)**
Balance, end of period	**$ 13,807**	**$ 4,981**	**$ 18,788**

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the statements of financial position follow.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	2023	2022
Direct Insurance	**$ 16,025**	$ 14,308
Reinsurance	**6,993**	5,833
Total	**$ 23,018**	$ 20,141

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums follow.

AS AT JUN. 30, 2023 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ 3,353	$ 5	$ 571	$ 94	$ —	**$ 4,023**
	1% - 2%	772	460	2,090	2,199	—	**5,521**
	2% - 3%	1,618	515	347	2,526	—	**5,006**
	Greater than 3%	1,023	13	5	41	—	**1,082**
	Other[1]	—	—	—	—	393	**393**
	Total	$ 6,766	$ 993	$ 3,013	$ 4,860	$ 393	**$ 16,025**
Reinsurance	0% - 1%	$ —	$ 522	$ 229	$ 7	$ —	**$ 758**
	1% - 2%	—	—	—	—	—	**—**
	2% to 3%	—	—	—	—	—	**—**
	Greater than 3%	—	—	16	—	—	**16**
	Other[1]	—	—	—	—	6,219	**6,219**
	Total	$ —	$ 522	$ 245	$ 7	$ 6,219	**$ 6,993**

[1]Other includes products with either a fixed rate or no guaranteed minimum crediting rate.

AS AT JUN. 30, 2022 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ 3,502	$ 5	$ 641	$ 58	$ —	**$ 4,206**
	1% - 2%	578	592	2,198	2,149	—	**5,517**
	2% - 3%	1,597	744	161	1	—	**2,503**
	Greater than 3%	1,063	6	—	1	—	**1,070**
	Other[1]	—	—	—	—	511	**511**
	Total	$ 6,740	$ 1,347	$ 3,000	$ 2,209	$ 511	**$ 13,807**
Reinsurance	—% - 1%	$ —	$ 316	$ 181	$ —	$ —	**$ 497**
	1% - 2%	—	—	—	—	—	**—**
	2% to 3%	—	—	—	—	—	**—**
	Greater than 3%	—	—	—	—	—	**—**
	Other[1]	—	—	—	—	4,484	**4,484**
	Total	$ —	$ 316	$ 181	$ —	$ 4,484	**$ 4,981**

[1]Other includes products with either a fixed rate or no guaranteed minimum crediting rate.

NOTE 19. MARKET RISK BENEFITS

The net balance of market risk benefit asset and liabilities of and changes in guaranteed minimum withdrawal benefits associated with annuity contracts follow.

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	$ 44	$ 70	**$ 114**
Effect of changes in the beginning instrument-specific credit risk	44	(28)	**16**
Effect of model refinements	(9)	(14)	**(23)**
Effect of non-financial assumption update	(9)	—	**(9)**
Attributed fees collected	6	15	**21**
Interest accrual	2	1	**3**
Adjustment from deterministic to stochastic	9	(13)	**(4)**
Effect of experience variance	(7)	2	**(5)**
Effect of changes in financial assumptions	—	(26)	**(26)**
Effect of changes in the ending instrument-specific credit risk	(27)	23	**(4)**
Issuance	—	35	**35**
Balance, end of period, net of reinsurance	**$ 53**	**$ 65**	**$ 118**

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	$ —	$ 66	**$ 66**
Acquisition from business combination	172	—	**172**
Effect of changes in the beginning instrument-specific credit risk	—	(1)	**(1)**
Attributed fees collected	1	11	**12**
Adjustment from deterministic to stochastic	2	(1)	**1**
Effect of experience variance	(1)	8	**7**
Effect of changes in financial assumptions	(58)	(39)	**(97)**
Effect of changes in the ending instrument-specific credit risk	(10)	(3)	**(13)**
Issuance	1	9	**10**
Balance, end of period, net of reinsurance	**$ 107**	**$ 50**	**$ 157**

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the market risk benefits amount in the statements of financial position follows.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	**2023**			2022		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Direct insurance	$ 13	$ (66)	$ (53)	$ 10	$ (54)	$ (44)
Reinsurance	—	(65)	(65)	—	(70)	(70)
Total	**$ 13**	**$ (131)**	**$ (118)**	**$ 10**	**$ (124)**	**$ (114)**

NOTE 20. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the statements of financial position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the statements of operations in the year in which the changes occur. The time value of money is not taken into account for the purpose of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below:

FOR THE SIX MONTHS ENDED JUN. 30 US$ MILLIONS	2023	2022
Unpaid claims balance, beginning	**$ 1,555**	$ —
Less: Reinsurance recoverables	**(305)**	—
Net beginning balance	**1,250**	—
Acquisition from business combination	**—**	1,215
Incurred related to		
Current	**816**	137
Prior years	**(22)**	(6)
Total incurred claims	**794**	131
Paid claims related to		
Current	**(342)**	(78)
Prior years	**(348)**	(38)
Total paid claims	**(690)**	(116)
Net balance	**1,354**	1,230
Add: Reinsurance recoverables	**303**	290
Unpaid claims balance, ending	**$ 1,657**	$ 1,520

The net and gross reserve calculations have shown favourable development as a result of favourable loss emergence compared to what was implied by the loss development patterns used in the original estimation of losses in prior years. The estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately $22 million and $6 million respectively during the first six months of 2023 and 2022. The favorable development in 2023 was a reflection of lower-than-anticipated losses arising from agribusiness, business owners, commercial automotive, and commercial other lines of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at June 30, 2023 and December 31, 2022 was $16 million and $16 million respectively.

NOTE 21. CORPORATE AND SUBSIDIARY BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $550 million. The credit facilities bear interest at the specified SOFR, CDOR, or bankers' acceptance rate plus a spread and have a maturity date of June 2028. As at June 30, 2023, $417 million was drawn on the bilateral credit facilities.

The Company has a $1.0 billion 364-day revolving credit facility for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at June 30, 2023, the facility had $823 million outstanding.

In April 2022, the Company entered into a $1.0 billion 364-day secured facility. In April 2023, the Company repaid $500 million and extended the maturity on the remaining balance to April 2024.

The facilities require the Company to maintain a minimum net worth covenant. As at June 30, 2023, the Company was in compliance with its financial covenants.

The Company also has a revolving credit facility with Brookfield that, as at June 30, 2023, permitted borrowings of up to $400 million. As at June 30, 2023, there were no amounts drawn on the facility.

Subsidiary borrowings of $1.5 billion relate to debt issued at American National. $1.0 billion matures in 2027 and the remaining $500 million matures in 2032.

NOTE 22. INCOME TAXES

For the three months and six months ended June 30, 2023, the effective tax rates on pre-tax income were 3% and 1% respectively. The Company's effective tax rate differed from the statutory tax rate of 17% and 15% for the same respective periods, primarily due to international operations subject to different tax rates.

For the three months and six months ended June 30, 2022, the effective tax rate on pre-tax income were a recovery of 14% and expense of 1% respectively. The Company's effective tax rate differed from the statutory tax rate of 16% for the same respective periods, primarily due to international operations subject to different tax rates.

NOTE 23. SHARE CAPITAL

As at June 30, 2023 and December 31, 2022, the Company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $33.56 per share;

ii. 500,000,000 Exchangeable Class A-1 Limited Non-Voting Shares with a par value of $33.56 per share;

iii. 500,000 Class B Limited Voting Shares with a par value of $33.56 per share;

iv. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;

v. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;

vi. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;

vii. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;

viii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the Company as at June 30, 2023 and December 31, 2022 comprises the following:

AS AT US$ MILLIONS, EXCEPT SHARE AMOUNTS	**June 30, 2023**		December 31, 2022	
	Number of shares	**Value**	Number of shares	Value
Issued				
Class A exchangeable shares	**10,450,952**	**$ 448**	9,594,989	$ 422
Class B shares	**24,000**	**1**	24,000	1
Class C shares	**41,314,891**	**1,477**	40,934,623	1,467
Class A junior preferred shares	**100,460,280**	**2,635**	100,460,280	2,580

The movement of shares issued and outstanding is as follows:

FOR THE PERIODS ENDED JUN. 30	**2023** **Redeemable junior preferred shares**	**Class A exchangeable shares**	**Class B shares**	**Class C shares**
Outstanding, January 1	100,460,280	9,594,989	24,000	40,934,623
Issued (Repurchased)				
Issuances	—	1,165,000	—	380,268
Repurchases	—	(309,037)	—	—
Outstanding, March 31	**100,460,280**	**10,450,952**	**24,000**	**41,314,891**
Issuances	—	—	—	—
Outstanding, June 30	**100,460,280**	**10,450,952**	**24,000**	**41,314,891**

FOR THE PERIODS ENDED JUN. 30	2022 Redeemable junior preferred shares	Class A exchangeable shares	Class B shares	Class C shares
Outstanding, January 1	—	10,877,989	24,000	23,544,548
Issued (Repurchased)				
Issuances	—	—	—	—
Repurchases	—	—	—	—
Outstanding, March 31	**—**	**10,877,989**	**24,000**	**23,544,548**
Issuances	98,351,547	—	—	11,270,466
Outstanding, June 30	**98,351,547**	**10,877,989**	**24,000**	**34,815,014**

At June 30, 2023, there were $123 million of accrued dividends on Class A junior preferred shares (December 31, 2022 – $68 million). The redemption value equals to the carrying value as of June 30, 2023 and December 31, 2022.

NOTE 24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of and changes in the accumulated other comprehensive income ("AOCI"), and the related tax effects, are shown below:

FOR THE PERIODS ENDED JUN. 30, 2023 US$ MILLIONS	**Unrealized Appreciation (Depreciation) on Investments**	**Defined Benefit Pension Plan Adjustment**	**Change in Instrument Specific Credit risk for Market Risk Benefit**	**Change in Discount Rate for Liability for Future Policyholder**	**Other**	**Total**
Balance at January 1, 2023	**$ (1,018)**	**$ (4)**	**$ (7)**	**$ 507**	**$ (1)**	**$ (523)**
Other comprehensive income (loss) before reclassifications	408	—	12	(204)	(2)	**214**
Amounts reclassified to (from) net income	20	1	—	—	—	**21**
Deferred income tax benefit (expense)	(21)	—	—	26	—	**5**
Balance at March 31, 2023	**$ (611)**	**$ (3)**	**$ 5**	**$ 329**	**$ (3)**	**$ (283)**
Other comprehensive income (loss) before reclassifications	(303)	2	(22)	86	1	**(236)**
Amounts reclassified to (from) net income	10	—	—	—	—	**10**
Deferred income tax benefit (expense)	14	—	—	(6)	—	**8**
Balance at June 30, 2023	**$ (890)**	**$ (1)**	**$ (17)**	**$ 409**	**$ (2)**	**$ (501)**

FOR THE PERIODS ENDED JUN. 30, 2022 US$ MILLIONS	Unrealized Appreciation (Depreciation) on Investments	Defined Benefit Pension Plan Adjustment	Change in Instrument Specific Credit risk for Market Risk Benefit	Change in Discount Rate for Liability for Future Policyholder	Other	Total
Balance at January 1, 2022	**$ 35**	**$ (5)**	**$ (1)**	**$ (63)**	**$ 1**	**$ (33)**
Other comprehensive income (loss) before reclassifications	(366)	—	(6)	281	3	**(88)**
Deferred income tax benefit (expense) and other	78	—	—	(75)	(3)	—
Balance at March 31, 2022	**$ (253)**	**$ (5)**	**$ (7)**	**$ 143**	**$ 1**	**$ (121)**
Other comprehensive income (loss) before reclassifications	(701)	—	19	251	(3)	**(434)**
Amounts reclassified to (from) net income	—	—	—	—	—	—
Deferred income tax benefit (expense)	39	—	—	(45)	—	**(6)**
Balance at June 30, 2022	**$ (915)**	**$ (5)**	**$ 12**	**$ 349**	**$ (2)**	**$ (561)**

NOTE 25. EARNINGS PER SHARE

The components of basic earnings per share are summarized in the following table:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS), EXCEPT PER SHARE AMOUNTS	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022
Net income for the period	**$ 360**	$ 25	**$ 267**	$ 181
Dividends on Class A junior preferred shares	**(28)**	(11)	**(55)**	(11)
	332	$ 14	**212**	$ 170
Attributable to:				
Class A exchangeable and Class B shareholders	**1**	1	**2**	3
Class C shareholders	**334**	15	**208**	169
Non-controlling interests	**(3)**	(2)	**2**	(2)
Earnings per share per class C share - basic	**$ 8.07**	$ 0.53	**$ 5.04**	$ 6.55
Weighted average shares – Class C shares	**41,314,891**	28,003,194	**41,184,633**	25,786,188

NOTE 26. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties.

a) Brookfield Reinsurance agreements

The Company has an outstanding equity commitment in the amount of $2.0 billion from Brookfield to fund future growth, which the Company may draw on from time to time. As of June 30, 2023, there were no amounts drawn under the equity commitment.

In 2021, the Company entered into a credit agreement with Brookfield (the "Brookfield Credit Agreement") as lender for a three-year revolving credit facility which subsequently increased to $400 million in March 2022. As of June 30, 2023, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

The following table reflects the related party agreements and transactions for the six months ended June 30 in the statements of operations:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
Credit agreement fees with Brookfield	**$ —**	$ —	**$ —**	$ —
Support agreement fees with Brookfield	**—**	—	**—**	—
Rights agreement fees to Brookfield	**—**	—	**—**	—
Administration fees with Brookfield	**1.7**	0.3	**3.4**	0.5
Investment management fees to Brookfield Asset Management	**15.0**	7.0	**30.0**	11.0
Brookfield licensing agreement fees	**—**	—	**—**	—
Outsourcing fees paid to Brookfield	**0.2**	0.2	**0.9**	0.5
Outsourcing arrangements payable	**—**	0.1	**0.3**	0.2

b) Other related party transactions

On March 10, 2020, Brookfield Annuity Corporation ("BAC") entered into lease and building service arrangements with Brookfield Properties (Canada) Inc. and BPO Ontario Properties Ltd. (collectively, "BPO"), subsidiaries of Brookfield. The amount paid to BPO for the leased office facilities and building maintenance for the six months ended June 30, 2023 totaled $0.3 million (June 30, 2022 – $0.3 million). As at June 30, 2023, lease liabilities relating to this arrangement were $1 million (June 30, 2022 – $2 million).

During the six month period, subsidiaries of the Company purchased investments of $1.6 billion from Brookfield and its subsidiaries. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

The Company had $339 million of cash on deposit with wholly-owned subsidiaries of Brookfield as at June 30, 2023 (June 30, 2022 – $70 million).

NOTE 27. SEGMENT REPORTING

The Company's operations are organized into three operating segments: Reinsurance, Direct Insurance and PRT. These segments are regularly reviewed by the Company's chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and to assess its performance.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("Distributable Operating Earnings", or "DOE").

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and the Company's share of adjusted earnings from investments in certain associates. DOE allows the CODM to evaluate the Company's segments on the basis of return on invested capital generated by its operations and allows the Company to evaluate the performance of its segments.

The tables below provide each segment's results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE THREE MONTHS ENDED JUN. 30, 2023 (MILLIONS)	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 709	$ —	$ 493	**$ 1,202**
Other net investment income, including funds withheld	455	90	49	**594**
Segment revenues	1,164	90	542	**1,796**
Policyholder benefits, net	(590)	—	(527)	**(1,117)**
Other insurance and reinsurance expenses	(240)	(59)	—	**(299)**
Operating expenses excluding transactions costs	(152)	(2)	(5)	**(159)**
Interest expense	(24)	(1)	—	**(25)**
Current income tax (expense) recovery	(8)	—	—	**(8)**
Segment DOE	**150**	**28**	**10**	**188**
Depreciation expense				**(5)**
Deferred income tax expense				**(11)**
Transaction costs				**(5)**
Net investments gains and losses, including funds withheld				**291**
Unrealized mark to market within insurance contracts				**(68)**
Other corporate activities				**(30)**
Net Income				**$ 360**

FOR THE THREE MONTHS ENDED JUN. 30, 2022 (MILLIONS)	Direct Insurance	Reinsurance	Pension Risk Transfer	Total
Net premiums and other policy related revenues	$ 223	$ —	$ 1,010	$ 1,233
Other net investment income, including funds withheld	101	$ 41	24	166
Segment revenues	324	41	1,034	1,399
Policyholder benefit, net	(170)	$ —	(1,026)	(1,196)
Other insurance and reinsurance expenses	(62)	$ (28)	—	(90)
Operating expenses excluding transactions costs	(44)	(2)	(3)	(49)
Interest expense	(5)	(5)	—	(10)
Current income tax expense	1	—	—	1
Segment DOE	44	6	5	55
Depreciation expense				(3)
Deferred income tax expense				(7)
Transaction costs				(20)
Net investments gains and losses, including funds withheld				9
Other corporate activities, net				(9)
Net Income				$ 25

FOR THE SIX MONTHS ENDED JUN. 30, 2023 (MILLIONS)	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 1,431	$ —	$ 668	**$ 2,099**
Other net investment income, including funds withheld	764	169	92	**1,025**
Segment revenues	2,195	169	760	**3,124**
Policyholder benefit, net	(1,096)	—	(724)	**(1,820)**
Other insurance and reinsurance expenses	(476)	(113)	(5)	**(594)**
Operating expenses excluding transactions costs	(302)	(7)	(10)	**(319)**
Interest expense	(47)	(1)	—	**(48)**
Current income tax expense	(14)	—	—	**(14)**
Segment DOE	**260**	**48**	**21**	**329**
Depreciation expense				**(10)**
Deferred income tax expense				**2**
Transaction costs				**(9)**
Net investments gains and losses, including funds withheld				**146**
Unrealized mark to market within insurance contracts				**(147)**
Other corporate activities, net				**(44)**
Net Income				**$ 267**

FOR THE SIX MONTHS ENDED JUN. 30 2022 (MILLIONS)	Direct Insurance	Reinsurance	Pension Risk Transfer	Total
Net premiums and other policy related revenues	$ 223	$ —	$ 1,119	$ 1,342
Other net investment income, including funds withheld	101	94	58	253
Segment revenues	324	94	1,177	1,595
Benefits paid on insurance contracts, net	—	—	—	—
Policyholder benefits, net	(170)	—	(1,165)	(1,335)
Other insurance and reinsurance expenses	(62)	(66)	—	(128)
Changes in deferred acquisition costs	—	—	—	—
Operating expenses excluding transactions costs	(44)	(7)	(6)	(57)
Interest expense	(5)	(11)	—	(16)
Current income tax expense	1	—	—	1
Segment DOE	$ 44	10	6	60
Depreciation expense				(3)
Deferred income tax expense				(11)
Transaction cost				(24)
Net investment gains and losses, including funds withheld				107
Unrealized mark-to-market within insurance contracts				59
Other corporate activities, net				(7)
Net income				$ 181

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers. All existing reinsurance contracts are with U.S. based insurance companies. Total premium revenues recorded within our Reinsurance segment for the six months ended June 30, 2023 were from transactions with two United States ceding companies.

Total premium revenues recorded within our PRT segment for the six months ended June 30, 2023, and 2022 were from Canadian and U.S. counterparties.

Total premium revenues recorded within our Direct Insurance segment for the six months ended June 30, 2023 were from transactions with U.S. retail customers.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT JUN. 30, 2023 (MILLIONS)	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 10,713	$ 4,180	$ 32,192	$ 909	**$ 47,994**
Liabilities	8,892	4,003	28,229	2,324	**43,448**
Equity and other	1,820	177	3,963	(1,414)	**4,546**

AS AT DEC. 31, 2022 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	Total
Assets	$ 9,316	$ 3,420	$ 29,541	$ 1,181	**$ 43,458**
Liabilities	7,644	3,216	25,786	2,547	**39,193**
Equity and other	1,672	204	3,755	(1,366)	**4,265**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

NOTE 28. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2023, subsidiaries of the Company had investment commitment agreements with third parties to the maximum of approximately $6.2 billion exclusive of taxes and other operating expenses (December 31, 2022 – $5.4 billion). As at June 30, 2023, the total unfunded commitment amounts were $3.0 billion.

The Company's subsidiary had aggregate commitments at June 30, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.5 billion of which $0.8 billion is expected to be funded in 2023, with the remainder funded in 2024 and beyond.

In addition, the Company's subsidiary had revolving commitments of $113 million expected to be funded during 2023 and 2024, and outstanding letters of credit in the amount of $379 million as of June 30, 2023.

Federal Home Loan Bank (FHLB) Agreements

The Company has access to the FHLB’s financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of June 30, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $10 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of June 30, 2023, the collateral provided borrowing capacity of approximately $745 million. The deposited securities and commercial mortgage loans are included in the Company’s statements of financial position within available-for-sale fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on the Company's statements of financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the lowest amount of the range.

NOTE 29. SUBSEQUENT EVENTS

Subsequent to quarter end, the Company entered into a definitive agreement to acquire all of the outstanding shares of common stock of American Equity Investment Life Holdings Company ("AEL"), valued at $4.3 billion. Each AEL shareholder will receive $55.00 per AEL share, consisting of $38.85 in cash and 0.49707 of a Brookfield Asset Management Ltd ("BAM") class A limited voting shares having a value equal to $16.15, subject to adjustment related to changes in share price of BAM.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management's discussion and analysis ("MD&A") covers the financial position as of June 30, 2023 and December 31, 2022 and the results of operations for the three and six months ended June 30, 2023, and 2022. Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "Company" means Brookfield Reinsurance Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Corporation, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Forward-Looking Information".

The information in this MD&A should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements ("the financial statements") as of June 30, 2023 and for the three and six months ended June 30, 2023, and 2022 and the annual audited financial statements for the year ended December 31, 2022 that were filed on Form 6K with the SEC on June 28, 2023. Interim operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results expected for the entire year.

Overview of Our Business

Our Company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020. The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the Company's interest in its operating subsidiaries North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC") and American National Group, LLC. ("American National").

Our Company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our Company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. Our business is presently conducted through our subsidiaries under three operating segments, which we refer to as our Direct Insurance, Reinsurance, and Pension Risk Transfer ("PRT") businesses. The principal operating entities of the company generally maintain their own independent management and infrastructure. Refer to the "Lines of Business" section of the MD&A for further details on our operating segments' business.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. During the second quarter of 2023, the Company implemented and modified certain internal controls over financial reporting relating to the adoption and ongoing operation of ASU 2018-12, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective. There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting besides those related to Long Duration Targeted Improvements ("LDTI"). The following financial data is derived from our financial statements that are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Non-GAAP measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Key Financial Data

The following table presents key financial data of the Company:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
Total assets	**$ 47,994**	$ 40,700	**$ 47,994**	$ 40,700
Net income	**360**	25	**267**	181
Adjusted equity[1]	**5,047**	4,501	**5,047**	4,501
Distributable Operating Earnings[1,2]	**160**	46	**305**	59

1. Distributable operating earnings and adjusted equity are Non-GAAP measures. See "Reconciliation of Non-GAAP Measures".
2. Distributable operating earnings for the three months and six months ended June 30, 2023 is inclusive of net expenses of $27 million and $53 million relating to activities outside of our three operating segments, respectively (2022 – $9 million and $1 million, respectively).

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the three and six months ended June 30, 2023 and 2022:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
Net premiums	**$ 1,099**	$ 1,201	**$ 1,899**	$ 1,310
Other policy revenue	**103**	31	**200**	31
Net investment income	**440**	195	**840**	251
Investment related gains (losses), net	**292**	(135)	**186**	(107)
Net investment results from funds withheld	**106**	(12)	**118**	73
Total revenues	**2,040**	1,280	**3,243**	1,558
Policyholder benefits and claims incurred	**(1,133)**	(1,148)	**(1,875)**	(1,253)
Interest sensitive contract benefits	**(316)**	(18)	**(557)**	(36)
Commissions for acquiring and servicing policies	**(213)**	(62)	**(393)**	(62)
Net change in deferred policy acquisition costs	**250**	18	**362**	38
Change in fair value of market risk benefit	**14**	55	**8**	67
Other reinsurance expenses	**(23)**	(10)	**(37)**	(14)
Operating expenses	**(186)**	(75)	**(362)**	(92)
Interest expense	**(60)**	(18)	**(120)**	(23)
Total benefits and expenses	**(1,667)**	(1,258)	**(2,974)**	(1,375)
Net income before income taxes	**373**	22	**269**	183
Income tax recovery (expense)	**(13)**	3	**(2)**	(2)
Net income for the period	**$ 360**	$ 25	**$ 267**	$ 181

Three Months Ended June 30, 2023 vs. 2022

For the three months ended June 30, 2023, we reported net income of $360 million, compared to net income of $25 million in the prior year quarter primarily due to contributions from our acquisition of American National, higher investment related gains, as well as growth in our investment portfolio and higher spread earnings from investment repositioning into higher yielding investments.

We completed a record level of sales during the quarter, representing over $3 billion of new policies. Sales represent gross new policies written, and include new policies that are not considered premium revenues for the purposes of GAAP. Net premiums were $1.1 billion for the quarter, largely in line with the prior year quarter. Contributions from our acquisition of American National were offset by lower PRT premiums. During the quarter, the Company closed 26 PRT deals with premiums of $530 million, compared to 7 PRT deals with premiums of $1.0 billion in the prior year quarter.

Net investment income was $440 million in the quarter, compared to $195 million in the prior year quarter, driven by increased spread earnings from growth in our investment portfolio and capital redeployed into higher yielding assets, particularly from available-for-sale fixed maturity securities which generated $216 million in the current quarter, compared to $84 million in the prior year quarter.

The Company had net investment related gains of $292 million in the quarter, compared to a loss of $135 million in the prior year quarter, mainly driven by higher unrealized mark-to-market gains on equity securities of $245 million in the current quarter.

Net investment results from funds withheld was $106 million in the quarter, compared to a loss of $12 million in the prior year quarter. This improvement is primarily driven by mark-to-market gains on the embedded derivative in our modified coinsurance ("modco") reinsurance treaties as a result of changes in interest rate, compared to mark-to-market losses in the comparative period. During the quarter, we had interest income of $70 million, compared to $36 million in the prior year quarter.

Interest sensitive contract benefits represent interest credited to policyholders' account balances from our investment contracts with customers, as well as amortization of deferred revenue. Commissions for acquiring and servicing policies represent sales commission payments or incremental costs of obtaining the contract that are amortized over the contract term subsequent to the initial capitalization. During the quarter, interest sensitive contract benefits and commissions for acquiring and servicing policies increased by $298 million and $151 million, respectively, primarily driven by the increase in sales and premiums from the prior quarter.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on protection to the policyholder from capital market risk. The gain of $14 million in the period is primarily due to change in interest rate used in the valuation of these liabilities.

Operating expenses were $186 million in the current quarter compared to $75 million in the prior year quarter, mainly as a result of the acquisition of American National which incurred $152 million of operating costs in the full quarter of 2023, compared to $44 million in the prior year quarter as the transaction closed in May of 2022. The increase is also partly related continued growth of the business with higher additional personnel, professional services and transaction expenses.

The increase of $42 million of interest expense on borrowings in the current quarter primarily relates to incurring a full quarter of expense on our subsidiary borrowings, particularly non-recourse acquisition financing issued at American National.

During the quarter, Distributable Operating Earnings increased by $114 million to $160 million. The increase was driven by a full quarter of contributions from American National, as well as higher net investment income within our PRT and Reinsurance businesses as we continued to redeploy our capital into higher yielding investments within the portfolios.

Six Months Ended June 30, 2023 vs. 2022

For the six months ended June 30, 2023, we reported net income of $267 million, compared to net income of $181 million in the prior year period primarily due to growth in the business, redeployment of capital into higher yielding investments and unrealized mark-to-market gains on investments and derivatives.

Net premiums were $1.9 billion for the six months ended, compared to $1.3 billion in the same period in 2022. The increase is mainly due to contribution of $1.4 billion in the six months ended June 30, 2023 from the aforementioned acquisition of American National which closed in May 2022, compared to $223 million in the prior period.

Net investment income increased by $589 million for the six months ended June 30, 2023, relative to the same period in 2022, driven by the growth in our investment portfolio and capital redeployed into higher yielding assets, particularly from our available-for-sale fixed maturity securities which generated $420 million in the current period, compared to $107 million in the prior period.

Investment related gains (losses), net was a gain of $186 million in the first six months of 2023, compared to a loss of $107 million in the prior year period, mainly due to unrealized mark-to-market movements on our equity securities of $156 million in the current period compared to a loss of $25 million in the prior period.

Net investment results from funds withheld increased by $45 million in the first six months of 2023 compared to the same period in 2022. The increase was driven by higher interest income from the growth in our reinsurance business. These increases were partially offset by negative mark-to-market movement in the embedded derivative due to a decrease in rates in 2023.

During the period, interest sensitive contract benefits and commissions for acquiring and servicing policies increased by $521 million and $331 million, respectively. The increases are driven by higher sales and a larger policyholders' account balance.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on protection to the policyholder from capital market risk. The gain of $8 million in the period is primarily due to movements in interest rates used in the valuation of these liabilities.

Operating expenses were $362 million in the first six months of 2023, compared to $92 million in the prior year period, mainly as a result of the acquisition of American National which contributed $302 million in the current period, compared to $44 million in the prior period, as well as additional personnel and professional services expenses related to the growth of our business.

The increase of $97 million of interest expense on borrowings from prior year is primarily due to increased interest on subsidiary borrowings related to the acquisition of American National, which occurred at the end of May 2022.

During the period, Distributable Operating Earnings increased by $246 million to $305 million. The increase was primarily due to contributions from American National and net investment income on our investments. DOE also benefited from new business and spread earnings within our PRT and Reinsurance businesses as we made progress redeploying the investments within the portfolios.

CONSOLIDATED FINANCIAL POSITION

Comparison as at June 30, 2023 and December 31, 2022

The following table summarizes the financial position as at June 30, 2023 and December 31, 2022:

AS AT US$ MILLIONS, EXCEPT SHARE DATA	2023	2022
Assets		
Investments	**$ 32,358**	$ 30,295
Cash and cash equivalents	**2,893**	2,145
Accrued investment income	**285**	341
Deferred policy acquisition costs	**1,986**	1,585
Reinsurance funds withheld	**6,540**	5,812
Premiums due and other receivables	**541**	436
Deferred tax asset	**489**	490
Reinsurance recoverables, net	**627**	589
Property and equipment, net of accumulated depreciation	**160**	194
Other assets	**849**	405
Goodwill	**121**	121
Separate account assets	**1,145**	1,045
Total assets	**47,994**	43,458
Future policy benefits	**8,863**	8,011
Policyholders' account balances	**23,018**	20,141
Policy and contract claims	**1,868**	1,786
Deposit liabilities	**1,632**	1,657
Market risk benefit	**131**	124
Unearned premium reserve	**1,150**	1,086
Due to related parties	**525**	241
Other policyholder funds	**316**	322
Notes payable	**158**	151
Corporate borrowings	**1,740**	2,160
Subsidiary borrowings	**1,494**	1,492
Liabilities issued to reinsurance entities	**217**	151
Other liabilities	**1,191**	826
Separate account liabilities	**1,145**	1,045
Total liabilities	**43,448**	39,193
Redeemable junior preferred shares	**2,635**	2,580
Equity		
Class A exchangeable, Class B, and Class C shares	**1,926**	1,890
Retained earnings	**477**	310
Accumulated other comprehensive income (loss), net of taxes	**(501)**	(523)
Non-controlling interests	**9**	8
Total equity	**1,911**	1,685
Total liabilities, mezzanine equity, and equity	**$ 47,994**	$ 43,458

June 30, 2023 vs. December 31, 2022

Total assets increased by $4.5 billion during the quarter to $48.0 billion.

Cash and cash equivalent increased by $748 million during the period. For further information, refer to "Liquidity and Capital Resources" section of the MD&A and our Consolidated Statements of Cash Flows.

Total investments increased by $2.1 billion over the period, primarily as a result of deployment of capital from new annuity sales and premiums in the first six months in the year, as well as partial recovery in the market value of equity securities.

Deferred acquisition costs are capitalized costs that are directly related to writing new policyholder contracts. During the quarter, the balance increased by $401 million mainly as a result of new insurance contracts entered with policyholders which contributed to an increase of $694 million, partially offset by amortization of $293 million.

Reinsurance funds withheld increased by $728 million over the quarter, primarily as a result of flow premiums received in the current period, partially offset by mark-to-market adjustments on the total return swap due to the impact of decreasing interest rates over the period on our shorter duration asset portfolio.

Reinsurance recoverables are estimated amounts due to the Company from reinsurers or cedants, related to paid and unpaid ceded claims and expenses, and are presented net of reserves for collectability. The amount increased by $38 million in the period primarily as a result of increased sales.

Other assets were $849 million at the end of the quarter, compared to $405 million at year-end. The balance primarily includes intangible assets and prepaid pension receivables from related parties, and increased mainly due to higher market risk benefits and current tax assets during the quarter.

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of the Company, and both increased by $100 million since the year-end mainly due to net realized gains of underlying assets of $114 million and $38 million of policyholder deposits, partially offset by $58 million of policyholder benefits and withdrawals.

Future policy benefits and policyholder account balances increased by $3.7 billion during the period due to new contracts written across our operations, partially offset by settlements in the quarter.

Corporate and subsidiary borrowings decreased by $418 million during the period, primarily as a result of the $500 million repayment of the Company's 364-day secured facility in April 2023.

In the prior year, we issued junior preferred shares to Brookfield which are redeemable by the Company at any time at the issuance price plus accumulated and unpaid dividends.

Lines of Business

Direct Insurance

American National became the platform for our Direct insurance line, providing insurance in the following segments: direct origination of life, annuity, and property and casualty.

Life Insurance

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Universal Life. Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates during the contract period, subject to policy specific minimums. An equity-indexed universal life product is credited with interest using a return that is based, in part, on changes in an index, such as the Standard & Poor's 500 Index ("S&P 500"), subject to a specified minimum.

Variable Universal Life. Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the securities selected by the policyholder held in the separate account.

Credit Life Insurance. Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay the lender the borrower's remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuities

Deferred Annuities. A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value. An equity-indexed deferred annuity is credited with interest using a return that is based, in part, on changes in an index, such as the S&P 500, subject to a specified minimum.

Single Premium Immediate Annuity ("SPIA"). A SPIA is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant's life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuities. With a variable annuity, the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits. This product accounts for less than 1% of our annuity business.

Property and Casualty

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners, and other similar exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner's property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles, and umbrella protection coverage.

Commercial Lines. Commercial lines are primarily focused on providing insurance to agricultural related operations and small to midsize businesses. This includes property and casualty coverage tailored for a farm, ranch, or other agricultural-related businesses. Commercial auto insurance is typically issued in conjunction with the sale of our policies covering farms, ranches, and businesses and covers specific risks involved in owning and operating motor vehicles. Business owners' property and liability insurance, workers' compensation insurance, and other commercial insurance encompassing umbrella protection coverage and other liability coverages, are also offered.

Specialty Markets. Specialty Markets products include renters, mortgage security, aviation, private flood, and credit insurance. Credit insurance provides protection to borrowers and the creditors that extend credit to them against unpaid indebtedness as a result of death, disability, involuntary unemployment, or untimely loss to the collateral securing a personal or mortgage loan.

- *Collateral* or *Creditor Protection Insurance* ("CPI"). CPI provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor's interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.
- *Guaranteed Auto Protection* or *Guaranteed Asset Protection* ("GAP"). GAP insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

Reinsurance

Within our Reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our Reinsurance business through licensed operating companies, North End Re (Cayman) SPC ("NER SPC") and North End Re Ltd ("NER Ltd."). As of the date of this MD&A, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure a block of U.S. annuities and fixed indexed annuities.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated in Canada and the United States. Our Canadian PRT business is operated through Brookfield Annuity Company ("BAC"), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. Under American National, we also operate a U.S. PRT business, which became licensed during 2022 and successfully completed its first PRT transaction in December 2022. Our North American PRT businesses are led by a team of experts in group annuities, pensions, insurance and investments.

SEGMENT REVIEW

The Company's operations are organized into three operating segments: Direct Insurance, Reinsurance, and PRT.

We measure operating performance primarily using DOE which measures our ability to acquire net insurance assets at a positive margin, and invest these assets at a return that is greater than the cost of policyholder liabilities.

Direct Insurance

The following table presents Distributable Operating Earnings of our Direct Insurance segment for the three and six months ended June 30, 2023 and 2022:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
DOE	**$ 150**	$ 44	**$ 260**	$ 44

Comparison of the three and six months ended June 30, 2023 and 2022

DOE within our Direct Insurance business represents contribution from our direct origination annuity, life, P&C and health businesses operated by American National, which was acquired in the second quarter of 2022. We benefited from strong contributions from our life and annuities business and the continued repositioning of investments into higher yielding investments. The benefits were partly offset by higher homeowner's catastrophic ("CAT") losses from severe storms. DOE related to our Direct Insurance business also includes financing costs associated with subsidiary borrowings and corporate overhead directly related to the segment.

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the three and six months ended June 30, 2023 and 2022:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
DOE	**$ 28**	$ 6	**$ 48**	$ 10

Comparison of the three and six months ended June 30, 2023 and 2022

DOE within our Reinsurance business increased to $28 million in the quarter, primarily as a result of increase in interest income of $11 million due to market rates and deployment of capital. During the quarter, we recorded flow premiums on our reinsurance treaty with AEL of approximately $650 million, bringing total premiums reinsured under the treaty to approximately $7 billion of premiums to-date. DOE also benefited from rising interest rates over the last twelve months and the redeployment of assets into higher yielding investments in the period.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the three and six months ended June 30, 2023 and 2022:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended		Six Months Ended	
	2023	2022	**2023**	2022
DOE	**$ 10**	$ 5	**$ 21**	$ 6

Comparison of the three and six months ended June 30, 2023 and 2022

During the quarter, the Company closed 8 PRT deals in the Canadian market and 18 PRT deals in the US market (2022 – 7), representing $530 million (2022 – $1 billion) of premiums. The increase in DOE from the prior year was a result of more business closed over the last twelve months, as well as higher investment income due to redeployment of assets into higher yielding investments.

Liquidity and Capital Resources

CAPITAL RESOURCES

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, and access to the Company's third-party credit facility, and our credit facility and equity commitment with Brookfield. We proactively manage our liquidity position to meet liquidity needs and continue to develop relationships with lenders who provide borrowing capacity at competitive rates, while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our corporate liquidity for the periods noted below consisted of the following:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS		2023		2022
Cash and cash equivalents	**$**	**415**	$	784
Liquid financial assets		**228**		241
Undrawn credit facilities		**533**		544
Total Corporate liquidity[1]	**$**	**1,176**	$	1,569

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. In June 2021, Brookfield provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three year revolving $400 million credit facility in addition to our $550 million revolving credit facility with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation will be a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to invest in a rising rate environment and secure attractive investment opportunities. In addition to a portfolio of highly liquid financial assets, our operating companies have additional access to the liquidity from sources such as the Federal Home Loan Bank ("FHLB") within our direct insurance business and short-term repurchase agreements within our pension risk transfer business to manage market exposure between the timing of transaction agreements being entered into and the receipt of assets. As at June 30, 2023, the Company had drawn $56 million of a total $1.0 billion of commitments available relating to these programs.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at June 30, 2023, the company's cash and cash equivalents included $415 million of unrestricted cash resources that can be deployed to fund corporate activities as needed.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS		2023		2022
Cash and cash equivalents	**$**	**2,893**	$	2,145
Liquid financial assets		**15,772**		17,769
Undrawn credit facilities		**533**		544
Total liquidity[1]	**$**	**19,198**	$	20,458

1. See "Performance Measures used by Management".

Comparison of the three and six months ended June 30, 2023 and 2022

The following table presents a summary of our cash flows and ending cash balances for the three and six months ended June 30, 2023 and 2022:

FOR THE SIX MONTHS ENDED JUN. 30 US$ MILLIONS	**2023**	2022
Operating activities	**$ 762**	$ 389
Investing activities	**(1,560)**	(3,954)
Financing activities	**1,545**	5,257
Cash and cash equivalents		
Cash and cash equivalents, beginning of the period	**2,145**	393
Net change during the period	**747**	1,692
Foreign exchange on cash balances held in foreign currencies	**1**	(1)
Cash and cash equivalents, end of the period	**$ 2,893**	$ 2,084

Operating Activities

For the six months ended June 30, 2023, we generated $762 million of cash from operating activities compared to $389 million during 2022, mainly driven by interest and dividend income of $493 million received from our investment portfolios in the current period as well as premiums written from new flow reinsurance and PRT transactions.

Investing Activities

For the six months ended June 30, 2023, we reinvested liquid short term and fixed maturity investments that matured during the period and we deployed over $3 billion into new higher-yielding investments within our insurance operating subsidiaries' portfolios. These investments were primarily funded by new premiums and the sales and maturities of liquid securities. The purchase and sales, net of maturities, resulted in net deployment of $1.6 billion of cash from investing activities, compared to net deployment of $4.0 billion in the prior year period, which was mostly as a result of the acquisition of American National in May 2022.

Financing Activities

For the six months ended June 30, 2023, we received $1.5 billion of cash from financing activities, compared to $5.3 billion received in the same period in 2022. The proceeds in the current year period were mainly as a result of $1.6 billion net payments received on policyholders' account deposits policyholders' account deposits and an increase of $268 million in our related party payables, partially offset by the net repayment of $420 million on our borrowings.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the Company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As at June 30, 2023, our common equity was $1.9 billion and our adjusted equity was $5.0 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. Refer to discussion on Non-GAAP Measures.

Included in equity and adjusted equity was approximately $180 million invested in Canadian dollars. As at June 30, 2023, we had a notional $2.6 billion (December 31, 2022 – $2.8 billion) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 9, “Derivative Instruments” of the financial statements.

Future Capital Obligations and Requirements

Subsidiaries of the Company have investment commitment agreements to the maximum of $6.2 billion exclusive of taxes and other operating expenses (December 31, 2022 – $5.4 billion). As at June 30, 2023, $3.0 billion was funded (December 31, 2022 – $2.6 billion). The amounts are recognized as loans and receivables, unrated bonds and private equity investments.

For additional information, see Note 28, “Financial commitments and contingencies” of the financial statements.

The following is the maturity by year on corporate borrowings and subsidiary borrowings:

	Payments due by year				
AS AT JUN. 30 2023 US$ MILLIONS	**Total**	Less than 1 year	1- 3 years	4 - 5 years	More than 5 years
Corporate borrowings	**$ 1,740**	$ 1,323	$ —	$ 417	$ —
Subsidiary borrowings	**1,494**	—	—	997	497

Capital management

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company’s growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company’s risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company’s risk appetite and Own Risk and Solvency Assessment (“ORSA”). Furthermore, stress techniques that include the Financial Conditions Testing (“FCT”) are used to evaluate the Company’s capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test (“LICAT”) as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC and American National are required to follow Risk Based Capital (“RBC”) requirements based on guidelines of the National Association of Insurance Commissioners (“NAIC”). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority (“BMA”). The Enhanced Capital Requirement (“ECR”) is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The Company has determined that it is in compliance with all capital requirements as at June 30, 2023 and December 31, 2022.

Brookfield Operating Results

An investment in the class A exchangeable shares of the company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield's three months ended June 30, 2023 operating results is provided below:

FOR THE PERIOD ENDED JUN. 30 US$ MILLIONS	Three months ended		Six months ended	
	2023	2022	**2023**	2022
Revenues	**$ 23,668**	$ 23,256	**$ 46,965**	$ 45,138
Net income	**1,512**	1,475	**1,936**	4,435

Each class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield in its continuous disclosure filings. Copies of the Brookfield's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Industry Trends and Factors Affecting Our Performance

As a financial services business providing capital based solutions to the insurance industry, we are affected by numerous factors, including global economic and financial market conditions. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business. We also monitor factors such as consumer spending, business investment, the volatility of capital markets, interest rates, unemployment and the risk of inflation or deflation, which affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products offered by our business. We believe the following current trends present significant opportunities for us to grow our business.

- **Financial market volatility and dislocations across asset classes favor insurers with diverse investment portfolios and access to alternative credit.** Insurers primarily invest in public market fixed income products and are exposed to public market valuations. Insurers with an ability to diversify investment portfolios to include alternative and private credit assets provide more favorable investment performance.

- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.

- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.

- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our statements of financial position within our financial statements include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The company's obligations under its insurance contracts are denominated in Canadian and United States dollars but a portion of the assets supporting these liabilities are denominated in non-Canadian and non-United States dollars. We manage foreign exchange risk using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently increased in many jurisdictions in which we operate in 2023 but remain at relatively low levels by historical standards. The company's asset liability management practices and interest rate risk management allows the company to mitigate the impact of interest rate volatility on the business. However, sudden or unexpected changes in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

The company manages interest rate risk through their asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The Company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The Company mitigates the equity risk by diversification of the investment portfolio.

The Company also has equity risk associated with the equity-indexed life and annuity products the Company issues. The Company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

Credit Risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The company is primarily exposed to credit risk through its investments in debt securities.

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block's acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

In the future we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our financial statements.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

We have significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board of Directors.

Disaster recovery and business continuity plans have also been established to manage the company's ability to operate under adverse conditions.

Critical Accounting Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Refer to Critical Accounting Estimates in the financial statements for the year ended December 31, 2022 filed with the SEC on June 28th, 2023.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-GAAP measures, including Distributable Operating Earnings and Adjusted Equity. In addition, we provide certain metrics such as Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the “Segment Review” section of this MD&A for further discussion on our performance measures for the three and six months ended June 30, 2023 and 2022.

Non-GAAP Measures

We regularly monitor certain Non-GAAP measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-GAAP financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with GAAP. These Non-GAAP measures are not comparable to GAAP and may not be comparable to similarly described Non-GAAP measures reported by other companies, including those within our industry. Consequently, our Non-GAAP measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable GAAP measure in our consolidated financial statements for the years presented. The Non-GAAP financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

Distributable Operating Earnings

We use Distributable Operating Earnings to assess operating results and the performance of our businesses. We define distributable operating earnings as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and our share of adjusted earnings from our investments in certain associates.

Distributable Operating Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by GAAP. Distributable Operating Earnings is therefore unlikely to be comparable to similar measures presented by other issuers.

We believe our presentation of Distributable Operating Earnings is useful to investors because it supplements investors’ understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of Distributable Operating Earnings also provide investors enhanced comparability of our ongoing performance across years.

Adjusted Equity

Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. We use Adjusted Equity to assess our return on our equity.

The followings contain further details regarding our use of our Non-GAAP measures, as well as a reconciliation of net income and total equity to these measures:

Reconciliation of Non-GAAP Measures

The following table reconciles our net income to Distributable Operating Earnings:

FOR THE PERIODS ENDED JUN. 30 US$ MILLIONS	Three Months Ended **2023**	Three Months Ended 2022	Six Months Ended **2023**	Six Months Ended 2022
Net income	**$ 360**	$ 25	**$ 267**	$ 181
Net investment gains and losses, including funds withheld	**(313)**	190	**(168)**	92
Mark-to-market on insurance contracts and other net assets	**92**	(165)	**189**	(218)
Deferred income tax expense	**11**	7	**(2)**	11
Transaction costs	**5**	20	**9**	24
Equity accounted (income) loss	**—**	(34)	**—**	(34)
Depreciation	**5**	3	**10**	3
Distributable Operating Earnings	**$ 160**	$ 46	**$ 305**	$ 59

The following table reconciles our equity to Adjusted Equity:

AS AT JUN. 30 US$ MILLIONS	**2023**	2022
Total equity	**$ 1,911**	$ 1,470
Add:		
Accumulated Other Comprehensive Loss (Income)	**501**	561
Junior preferred shares	**2,635**	2,470
Adjusted equity	**$ 5,047**	$ 4,501

Forward-Looking Information

In addition to historical information, this MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the company and Brookfield's outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the company, Brookfield's or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

The following factors, among others, could cause our actual results to vary from our forward-looking statements:

We caution that the factors that may affect future results described in this MD&A are not exhaustive. The forward-looking statements represent our views as of the date of this MD&A and should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our most recent Annual Report on Form 20-F and other risks and factors that are described therein.

Brookfield Reinsurance Ltd.

bnre.brookfield.com

NYSE: BNRE
TSX: BNRE

EXHIBIT 11(d)

Unaudited Quarterly Financial Statements of Brookfield Reinsurance for the Quarter-Ended September 30, 2023

Brookfield

2023

Q3 INTERIM REPORT

Brookfield Reinsurance Ltd.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD REINSURANCE LTD. AS AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022, AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

INDEX

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT US$ MILLIONS, EXCEPT SHARE DATA	Note	September 30, 2023	December 31, 2022
Assets			
Available-for-sale fixed maturity securities, at fair value (net of allowance for credit losses of $24 and $30 respectively; amortized cost of $16,145 and $17,606, respectively)	3	**$ 14,732**	$ 16,316
Equity securities, at fair value	4	**2,031**	1,253
Mortgage loans on real estate, at amortized cost, (net of allowance for credit loss of $33 and $41, respectively)	5	**5,919**	5,888
Private loans, at amortized cost, (net of allowance for credit loss of $42 and $28, respectively)	6	**1,704**	1,144
Real estate and real estate partnerships, (net of accumulated depreciation of $321 and $304, respectively)	7	**3,824**	1,036
Investment funds	11	**2,077**	1,671
Policy loans	11	**383**	374
Short-term investments	11	**3,328**	2,402
Other invested assets, net	11	**266**	211
Total investments		**34,264**	30,295
Cash and cash equivalents		**3,448**	2,145
Accrued investment income		**352**	341
Deferred policy acquisition costs	13	**2,302**	1,585
Reinsurance funds withheld		**7,176**	5,812
Premiums due and other receivables		**501**	436
Deferred tax asset		**494**	490
Reinsurance recoverables, net		**456**	589
Property and equipment		**164**	194
Other assets	18	**548**	405
Assets held-for-sale	15	**261**	—
Goodwill	14	**121**	121
Separate account assets	12	**1,090**	1,045
Total assets		**51,177**	43,458
Liabilities			
Future policy benefits	16	**8,577**	8,011
Policyholders' account balances	17	**24,862**	20,141
Policy and contract claims	19	**1,704**	1,786
Deposit liabilities		**1,612**	1,657
Market risk benefit	18	**184**	124
Unearned premium reserve		**1,161**	1,086
Due to related parties	25	**634**	241
Other policyholder funds		**323**	322
Notes payable	11	**170**	151
Corporate borrowings	20	**1,243**	2,160
Subsidiary borrowings	20	**1,494**	1,492
Liabilities issued to reinsurance entities		**172**	151
Other liabilities		**900**	826
Liabilities held-for-sale	15	**245**	—
Separate account liabilities	12	**1,090**	1,045
Total liabilities		**44,371**	39,193
Mezzanine equity			
Redeemable Junior Preferred Shares, par value $25 per share, redemption amount of $2,663 (100,460,280 shares outstanding)	22	**2,663**	2,580
Equity			
Class A exchangeable, Class B, and Class C (10,450,952 and 9,594,989 Class A exchangeable shares, 24,000 Class B shares; par value $33.49 and $33.70 per share and 102,056,784 and 40,934,623 Class C shares issued and outstanding; par value $1 per share)	22	**4,055**	1,890
Retained earnings		**525**	310
Accumulated other comprehensive loss, net of taxes	23	**(445)**	(523)
Non-controlling interests		**8**	8
Total equity		**4,143**	1,685
Total liabilities, mezzanine equity, and equity		**$ 51,177**	$ 43,458

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net premiums		**$ 913**	$ 962	**$ 2,812**	$ 2,272
Other policy revenue		**106**	96	**306**	127
Net investment income	10	**442**	394	**1,282**	645
Investment related gains (losses), net	10	**(82)**	(218)	**104**	(325)
Net investment results from funds withheld		**71**	142	**189**	215
Total revenues		**1,450**	1,376	**4,693**	2,934
Policyholder benefits and claims incurred	16	**(870)**	(849)	**(2,745)**	(2,102)
Interest sensitive contract benefits	17	**(290)**	(114)	**(847)**	(150)
Commissions for acquiring and servicing policies	13	**(198)**	(184)	**(591)**	(246)
Net change in deferred policy acquisition costs	13	**316**	149	**678**	187
Change in fair value of market risk benefit	18	**(35)**	45	**(27)**	112
Other reinsurance expenses		**(54)**	(45)	**(91)**	(59)
Operating expenses		**(191)**	(169)	**(553)**	(261)
Interest expense		**(61)**	(37)	**(181)**	(60)
Total benefits and expenses		**(1,383)**	(1,204)	**(4,357)**	(2,579)
Net income before income taxes		**67**	172	**336**	355
Income tax recovery (expense)	21	**10**	(33)	**8**	(35)
Net income for the period		**$ 77**	$ 139	**$ 344**	$ 320
Attributable to:					
Class A exchangeable and Class B shareholders		**$ 1**	$ 2	**$ 3**	$ 5
Class C shareholders		**75**	133	**338**	313
Non-controlling interests		**1**	4	**3**	2
		$ 77	$ 139	**$ 344**	$ 320
Net income per Class C share					
Basic	24	**$ 0.65**	$ 3.03	**$ 4.92**	$ 9.51

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

		Three Months Ended September 30,		Nine Months Ended September 30,	
US$ MILLIONS	Note	**2023**	2022	**2023**	2022
Net income		**$ 77**	$ 139	**$ 344**	$ 320
Other comprehensive income (loss) that will be reclassified to net income, net of tax					
Equity accounted other comprehensive income (loss)		**—**	(255)	**—**	(535)
Net unrealized gain (loss) on available for sale securities		**(251)**	(464)	**(123)**	(1,132)
Foreign currency translation		**(3)**	(12)	**(4)**	(13)
Change in discount rate for future policyholder benefit liability		**323**	246	**225**	658
Change in instrument specific credit risk for market risk benefit		**(14)**	(5)	**(24)**	8
Defined benefit pension plan adjustment		**1**	(3)	**4**	**(3)**
Total other comprehensive income (loss)	23	**56**	(493)	**78**	(1,017)
Comprehensive income (loss)		**$ 133**	$ (354)	**$ 422**	$ (697)

Attributable to:				
Class A exchangeable and Class B shareholders	**$ 1**	$ 2	**$ 3**	$ 5
Class C shareholders	**131**	(360)	**416**	(703)
Non-controlling interests	**1**	4	**3**	1
	$ 133	$ (354)	**$ 422**	$ (697)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED US$ MILLIONS	Class A exchangeable and Class B shareholders			Class C shareholders					
	Share Capital	Retained Earnings	Total	Share Capital	Retained Earnings	Accumulated other Comprehensive Income (Loss)	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2023	**$ 423**	**$ 9**	**$ 432**	**$ 1,467**	**$ 301**	**$ (523)**	**$ 1,245**	**$ 8**	**$ 1,685**
Net income	—	1	1	—	(99)	—	(99)	5	**(93)**
Other comprehensive loss	—	—	—	—	—	240	240	—	**240**
Comprehensive income (loss)	—	1	1	—	(99)	240	141	5	**147**
Other items:									
Equity issuances	38	—	38	—	—	—	—	—	**38**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(67)	—	(67)	(4)	**(72)**
Other	(10)	—	(10)	10	—	—	10	—	**—**
Total change in the period	27	1	28	10	(166)	240	84	1	**113**
Balance as at March 31, 2023	**$ 450**	**$ 10**	**$ 460**	**$ 1,477**	**$ 135**	**$ (283)**	**$ 1,329**	**$ 9**	**$ 1,798**
Net income	—	1	1	—	362	—	362	(3)	**360**
Other comprehensive loss	—	—	—	—	—	(218)	(218)	—	**(218)**
Comprehensive income (loss)	—	1	1	—	362	(218)	144	(3)	**142**
Other items:									
Equity issuances	—	—	—	—	—	—	—	1	**1**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(28)	—	(28)	2	**(27)**
Other	—	—	—	—	(3)	—	(3)	—	**(3)**
Total change in the period	(1)	1	—	—	331	(218)	113	—	**113**
Balance as at June 30, 2023	**$ 449**	**$ 11**	**$ 460**	**$ 1,477**	**$ 466**	**$ (501)**	**$ 1,442**	**$ 9**	**$ 1,911**
Net income	—	1	1	—	75	—	75	1	**77**
Other comprehensive loss	—	—	—	—	—	56	56	—	**56**
Comprehensive income (loss)	—	1	1	—	75	56	131	1	**133**
Other items:									
Equity issuances	—	—	—	2,130	—	—	2,130	—	**2,130**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(28)	—	(28)	(2)	**(31)**
Total change in the period	(1)	1	—	2,130	47	56	2,233	(1)	**2,232**
Balance as at September 30, 2023	**$ 448**	**$ 12**	**$ 460**	**$ 3,607**	**$ 513**	**$ (445)**	**$ 3,675**	**$ 8**	**$ 4,143**

1. The Company distributed $0.07 in the form of a return of capital per each Class A exchangeable and Class B share in each of the quarters of 2023.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIODS ENDED US$ MILLIONS	Class A exchangeable and Class B shareholders Share Capital	Retained Earnings	Total	Class C shareholders Share Capital	Retained Earnings	Accumulated other Comprehensive Income (Loss)	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2022	**$ 536**	**$ 3**	**$ 539**	**$ 963**	**$ (124)**	**$ (33)**	**$ 806**	**$ —**	**$ 1,345**
Changes in the period:									
Net income	—	2	2	—	154		154	—	**156**
Other comprehensive loss	—	—	—	—	—	(83)	(83)	—	**(83)**
Comprehensive income (loss)	—	2	2	—	154	(83)	71	—	**73**
Other items:									
Equity issuances	—	—	—	—	—	—	—	—	**—**
Distribution and others[1]	(2)	—	(2)	—	26	(5)	21	—	**19**
Total change in the period	(2)	2	—	—	180	(88)	92	—	**92**
Balance as at March 31, 2022	**$ 534**	**$ 5**	**$ 539**	**$ 963**	**$ 56**	**$ (121)**	**$ 898**	**$ —**	**$ 1,437**
Changes in the period:									
Net income	—	1	1	—	26	—	26	(2)	**25**
Other comprehensive loss	—	—	—	—	—	(440)	(440)	(1)	**(441)**
Comprehensive income (loss)	—	1	1	—	26	(440)	(414)	(3)	**(416)**
Other items:									
Equity issuances	—	—	—	450	—	—	450	11	**461**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(11)	—	(11)	—	**(12)**
Total change in the period	(1)	1	—	450	15	(440)	25	8	**33**
Balance as at June 30, 2022	**$ 533**	**$ 6**	**$ 539**	**$ 1,413**	**$ 71**	**$ (561)**	**$ 923**	**$ 8**	**$ 1,470**
Changes in the period:									
Net income	—	2	2	—	133	—	133	4	**139**
Other comprehensive loss	—	—	—	—	—	(493)	(493)	—	**(493)**
Comprehensive income (loss)	—	2	2	—	133	(493)	(360)	4	**(354)**
Other items:									
Distributions and redeemable preferred share dividends[1]	(2)	—	(2)	—	(28)	—	(28)	(4)	**(34)**
Total change in the period	(2)	2	—	—	105	(493)	(388)	—	**(388)**
Balance as at September 30, 2022	**$ 531**	**$ 8**	**$ 539**	**$ 1,413**	**$ 176**	**$ (1,054)**	**$ 535**	**$ 8**	**$ 1,082**

1. The Company distributed $0.14 in the form of a return of capital per each Class A exchangeable and Class B share in each of the quarters of 2022.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	2023	2022
Operating activities		
Net income	$ **344**	$ 320
Adjustments to reconcile net income to net cash from operating activities:		
Premiums received in kind	**—**	(180)
Accretion on investments	**(146)**	(22)
Depreciation and amortization	**28**	15
Unrealized losses (gains) on investments and derivatives	**(125)**	282
Realized gains on investments and derivatives	**32**	(23)
Investment credit losses (reversals)	**(9)**	52
Income from real estate partnerships, investment funds and corporations	**(121)**	(148)
Distributions from real estate partnerships, investment funds and corporations	**63**	—
Interest credited to policyholder account balances	**431**	32
Deferred income taxes	**(33)**	28
Changes in operating assets and liabilities:		
Policyholder liabilities	**2,682**	1,104
Deposit liabilities	**(151)**	—
Reinsurance funds withheld	**(1,406)**	(675)
Deferred policy acquisition costs	**(669)**	(197)
Reinsurance recoverables	**(59)**	22
Accrued investment income	**(22)**	(141)
Working capital and other	**115**	214
Cash flows from operating activities	**954**	683
Investing activities		
Acquisition of subsidiary, net of cash acquired	**—**	(4,086)
Purchase of investments		
Fixed maturity, available for sale	**(4,337)**	(3,869)
Equity securities	**(408)**	(692)
Mortgage loans on real estate	**(402)**	(686)
Private loans	**(24)**	(778)
Real estate and real estate partnerships	**(1,301)**	(31)
Investment funds	**(620)**	(214)
Short-term investments	**(9,778)**	(6,993)
Other invested assets	**(440)**	—
Proceeds from sales and maturities of investments		
Fixed maturity, available for sale	**4,743**	4,541
Equity securities	**110**	202
Mortgage loans on real estate	**418**	464
Private loans	**449**	16
Real estate and real estate partnerships	**74**	4
Investment funds	**161**	169
Short-term investments	**9,453**	8,666
Other invested assets	**95**	—
Purchases of derivatives	**(83)**	(48)
Proceeds (settlements) from sales and maturities of derivatives	**47**	163
Purchase of intangibles and property and equipment	**—**	(14)
Purchase of equity accounted investments	**—**	(253)
Net change in policy loans	**(9)**	—
Change in collateral held for derivatives	**55**	(14)
Other, net	**21**	1
Cash flows from investing activities	**(1,776)**	(3,452)

Financing activities		
Issuance of common equity	**—**	450
Issuance of preferred equity	**—**	2,459
Return of capital to common stockholders	**(3)**	(5)
Proceeds from non-controlling interest	**1**	—
Payments to non-controlling interest	**—**	(5)
Borrowings from related parties	**368**	260
Repayment of borrowings to related parties	**—**	(580)
Borrowings from external parties	**1,134**	4,102
Repayment of borrowings to external parties	**(2,054)**	(1,667)
Borrowings issued to reinsurance entities	**—**	62
Policyholders' account deposits	**4,480**	905
Policyholders' account withdrawals	**(1,844)**	(485)
Debt issuance costs	**—**	(10)
Proceeds from repurchase agreement	**221**	327
Repayments of repurchase agreement	**(178)**	(279)
Cash flows from financing activities	**2,125**	5,534
Cash and cash equivalents		
Cash and cash equivalents at beginning of period	**2,145**	393
Net change during the period	**1,303**	2,765
Foreign exchange on cash balances held in foreign currencies	**—**	(5)
Cash and cash equivalents, end of period	**$ 3,448**	$ 3,153
Supplementary cash flow disclosures		
Cash taxes (recovery) paid	**$ (11)**	$ 52
Cash interest paid	**94**	30
Dividends and interest income received	**736**	299

NOTE 1. NATURE OF OPERATIONS

Brookfield Reinsurance Ltd. (“Brookfield Reinsurance” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company’s class A exchangeable shares are listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") under the symbol “BNRE”.

The Company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, Brookfield Reinsurance offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. The business is presently conducted through our subsidiaries under three operating segments: Direct Insurance, Reinsurance, and Pension Risk Transfer ("PRT").

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements ("financial statements") and notes thereto, including all prior periods presented, have been prepared under accounting principles generally accepted in the United States of America (“GAAP”). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated. The interim condensed consolidated financial statements should be read in conjunction with the December 31, 2022 audited consolidated financial statements of the Company and accompanying notes included with the Form 6-K ("2022 Form 6-K") filed with the SEC on June 28, 2023. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2023. The interim condensed consolidated financial statements are unaudited and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented in accordance with GAAP.

The preparation of the financial statements in accordance with GAAP requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Included among the material (or potentially material) reported amounts and disclosures that require use of estimates are: fair value of certain financial assets, derivatives, allowances for credit losses, deferred acquisition costs (“DAC”), value of business acquired (“VOBA”), goodwill and other intangibles, market risk benefits, future policy benefits, pension plans, income taxes including the recoverability of our deferred tax assets, and the potential effects of resolving litigated matters. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

Adoption of new accounting standards

For long duration insurance contracts, ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), issued in August 2018, changes the measurement and disclosures of insurance liabilities and deferred acquisition cost for long-duration contracts issued by insurers. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Refer to the 2022 Form 6-K filed with the SEC on June 28, 2023 for adoption information.

The Company adopted LDTI effective January 1, 2023 with a transition date of January 1, 2021. The adoption of LDTI resulted in a decrease of $1 million and $135 million in retained earnings and accumulated other comprehensive income, respectively. As part of the LDTI adoption, the Company reviews for updates to cash flow assumptions at least annually, and at the same time every year by cohort or product. The Company also reviews more frequently and updates its cash flow assumptions during an interim period if evidence suggests cash flow assumptions should be revised.

On April 1, 2023, the Company adopted ASU 2020-04 Topic 848. The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The inventory of LIBOR exposures is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR did not have a material impact to the Company's financial statements or notes to the financial statements.

Recently issued accounting pronouncements

On October 9, 2023, the Financial Accounting Standards Board issued Accounting Standards Update 2023-06—Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06"). The amendments modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements and also facilitate the comparison of entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Further, the amendments align the requirements in the Codification with the SEC's regulations.

The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this update should be applied prospectively.

We are currently evaluating the requirements of ASU 2023-06. However, as they apply to disclosure requirements, the adoption of the standard is not anticipated to have a material impact on our profitability, financial position or cash flows.

NOTE 3. INVESTMENTS IN AVAILABLE-FOR-SALE FIXED MATURITY SECURITIES

The amortized cost and fair value of available-for-sale fixed maturity securities are shown below:

AS AT SEP. 30, 2023 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. treasury and government	$ 170	$ —	$ (44)	$ —	**$ 126**
U.S. states and political subdivisions	776	—	(50)	—	**726**
Foreign governments	568	1	(55)	—	**514**
Corporate debt securities	13,411	54	(1,250)	(11)	**12,204**
Residential mortgage-backed securities	124	—	(5)	(1)	**118**
Commercial mortgage-backed securities	473	6	(30)	(7)	**442**
Collateralized debt securities	623	18	(34)	(5)	**602**
Total investments in fixed maturity securities	**$ 16,145**	**$ 79**	**$ (1,468)**	**$ (24)**	**$ 14,732**

AS AT DEC. 31, 2022 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. treasury and government	$ 148	$ —	$ (38)	$ —	$ 110
U.S. states and political subdivisions	880	—	(25)	—	855
Foreign governments	353	1	(36)	—	318
Corporate debt securities	14,379	35	(1,135)	(24)	13,255
Residential mortgage-backed securities	133	—	(6)	—	127
Commercial mortgage-backed securities	422	5	(19)	—	408
Collateralized debt securities	1,291	9	(51)	(6)	1,243
Total investments in fixed maturity securities	$ 17,606	$ 50	$ (1,310)	$ (30)	$ 16,316

The amortized cost and fair value, by contractual maturity, of available-for-sale fixed maturity securities are shown below:

AS AT US$ MILLIONS	**September 30, 2023**		December 31, 2022	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 474**	**$ 469**	$ 494	$ 489
Due after one year through five years	**4,929**	**4,714**	5,244	5,072
Due after five years through ten years	**4,352**	**4,003**	5,907	5,436
Due after ten years	**6,390**	**5,546**	5,961	5,319
Total	**$ 16,145**	**$ 14,732**	$ 17,606	$ 16,316

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of available-for-sale fixed maturity securities, with the related gross realized gains and losses, are shown below:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Proceeds from sales of available-for-sale fixed maturity securities	**$ 1,213**	$ 782	**$ 4,743**	$ 4,541
Gross realized gains	**6**	7	**32**	106
Gross realized losses	**(32)**	(34)	**(121)**	(188)

Gains and losses are determined using first-in-first-out of the securities sold. In addition, the Company has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $58 million and $117 million at September 30, 2023 and December 31, 2022, respectively.

In accordance with various regulations, the Company has securities on deposit with regulating authorities with a carrying value of $28 million and $51 million at September 30, 2023 and December 31, 2022, respectively.

The gross unrealized losses and fair value of available-for-sale fixed maturity securities, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below:

	Less than 12 months			12 months or more			Total		
AS AT SEP. 30, 2023 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
U.S. treasury and government	12	$ (1)	$ 30	34	$ (43)	$ 96	**46**	**$ (44)**	**$ 126**
U.S. states and political subdivisions	340	(21)	408	196	(29)	317	**536**	**(50)**	**725**
Foreign governments	43	(35)	341	27	(20)	172	**70**	**(55)**	**513**
Corporate debt securities	1,148	(410)	4,352	1,370	(840)	7,447	**2,518**	**(1,250)**	**11,799**
Residential mortgage-backed securities	1	(1)	42	13	(4)	76	**14**	**(5)**	**118**
Commercial mortgage-backed securities	8	(8)	44	41	(22)	363	**49**	**(30)**	**407**
Collateralized debt securities	52	(12)	119	70	(22)	480	**122**	**(34)**	**599**
Total	**1,604**	**$ (488)**	**$ 5,336**	**1,751**	**$ (980)**	**$ 8,951**	**3,355**	**$ (1,468)**	**$ 14,287**

	Less than 12 months			12 months or more			Total		
AS AT DEC. 31, 2022 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
U.S. treasury and government	41	$ (36)	$ 104	5	$ (2)	$ 4	**46**	**$ (38)**	**$ 108**
U.S. states and political subdivisions	579	(25)	824	—	—	—	**579**	**(25)**	**824**
Foreign governments	13	(23)	258	11	(13)	25	**24**	**(36)**	**283**
Corporate debt securities	1,533	(943)	10,644	251	(192)	912	**1,784**	**(1,135)**	**11,556**
Residential mortgage-backed securities	46	(6)	93	—	—	—	**46**	**(6)**	**93**
Commercial mortgage-backed securities	62	(14)	231	12	(5)	29	**74**	**(19)**	**260**
Collateralized debt securities	82	(50)	762	12	(1)	17	**94**	**(51)**	**779**
Total	**2,356**	**$ (1,097)**	**$ 12,916**	**291**	**$ (213)**	**$ 987**	**2,647**	**$ (1,310)**	**$ 13,903**

Allowance for Credit Losses

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices. Based on this evaluation, unrealized losses on bonds available-for-sale where an allowance for credit loss was not recorded were concentrated in the Company's available-for-sale fixed maturity securities within the transportation sector.

The rollforward of the allowance for credit losses for available-for-sale fixed maturity securities is shown below for the three and nine months ended September 30, 2023.

FOR THE THREE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ (23)	$ —	$ —	$ (16)	**$ (39)**
Credit losses recognized on securities for which credit losses were not previously recorded	(1)	—	(7)	—	**(8)**
Reductions for securities sold during the period	1	(1)	—	—	**—**
Changes in previously recorded allowance	12	—	—	11	**23**
Balance at September 30, 2023	**$ (11)**	**$ (1)**	**$ (7)**	**$ (5)**	**$ (24)**

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ (24)	$ —	$ —	$ (6)	**$ (30)**
Credit losses recognized on securities for which credit losses were not previously recorded	(19)	—	(7)	(18)	**(44)**
Reductions for securities sold during the period	15	(1)	—	2	**16**
Changes in previously recorded allowance	17	—	—	17	**34**
Balance at September 30, 2023	**$ (11)**	**$ (1)**	**$ (7)**	**$ (5)**	**$ (24)**

No accrued interest receivables were written off as of September 30, 2023.

FOR THE THREE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ —	$ —	$ —	**$ —**
Credit losses recognized on securities for which credit losses were not previously recorded	(9)	—	(3)	**(12)**
Balance at September 30, 2022	**$ (9)**	**$ —**	**$ (3)**	**$ (12)**

FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ —	$ —	$ —	**$ —**
Acquisition from business combination	(11)	(1)	(1)	**(13)**
Credit losses recognized on securities for which credit losses were not previously recorded	(9)	—	(3)	**(12)**
Reductions for securities sold during the period	11	1	1	**13**
Balance at September 30, 2022	**$ (9)**	**$ —**	**$ (3)**	**$ (12)**

NOTE 4. EQUITY SECURITIES

The components of the change in net gains (losses) on equity securities recognized in net investment related gains (losses) on the statements of operations are shown below:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Net gains (losses) on equity securities	**$ (69)**	$ (123)	**$ 87**	$ (148)

Equity securities by market sector distribution are shown below, based on fair value:

US$ MILLIONS	**September 30, 2023**	December 31, 2022
Consumer goods	**10 %**	5 %
Energy and utilities	**10 %**	3 %
Finance	**52 %**	66 %
Healthcare	**7 %**	5 %
Industrials	**3 %**	2 %
Information technology	**11 %**	14 %
Other	**7 %**	5 %
Total	**100 %**	100 %

NOTE 5. MORTGAGE LOANS ON REAL ESTATE

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. Non-accrual balances are those more than 90 days past due. The age analysis of loans by property type is shown below:

AS AT SEP. 30, 2023 US$ MILLIONS	Current	Non-accrual	Total	Percentage
Apartment	$ 1,108	$ —	$ 1,108	19 %
Hotel	1,043	—	1,043	18 %
Industrial	1,089	—	1,089	18 %
Office	931	40	971	16 %
Parking	415	—	415	7 %
Retail	821	25	846	14 %
Storage	131	—	131	2 %
Other	349	—	349	6 %
Total	**$ 5,887**	**$ 65**	**$ 5,952**	**100 %**
Allowance for credit losses			(33)	
Total, net of allowance			$ 5,919	

AS AT DEC. 31, 2022 US$ MILLIONS	Current	Non-accrual	Total	Percentage
Apartment	$ 907	$ —	$ 907	15 %
Hotel	1,114	—	1,114	19 %
Industrial	1,050	—	1,050	18 %
Office	1,160	27	1,187	20 %
Parking	420	—	420	7 %
Retail	874	—	874	15 %
Storage	120	—	120	2 %
Other	257	—	257	4 %
Total	$ 5,902	$ 27	$ 5,929	100 %
Allowance for credit losses			(41)	
Total, net of allowance			$ 5,888	

Allowance for Credit Losses

The rollforward of the allowance for credit losses for mortgage loans is shown below:

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	2023	2022
Balance at January 1	$ (41)	$ (1)
Provision	(6)	(37)
Balance at June 30	$ (47)	$ (38)
Recovery (provision)	14	(2)
Balance at September 30	$ (33)	$ (40)

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below:

AS AT	September 30, 2023		December 31, 2022	
US$ MILLIONS	Asset Balance	Allowance	Asset Balance	Allowance
Apartment	$ 1,108	$ (6)	$ 907	$ (1)
Hotel	1,043	(6)	1,114	(6)
Industrial	1,089	(6)	1,050	(4)
Office	971	(5)	1,187	(17)
Parking	415	(2)	420	(6)
Retail	846	(5)	874	(4)
Storage	131	(1)	120	(2)
Other	349	(2)	257	(1)
Total	$ 5,952	$ (33)	$ 5,929	$ (41)

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by property type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below:

	Amortized Cost Basis by Origination Year						
US$ MILLIONS	2023	2022	2021	2020	2019	Prior	Total
Apartment	$ 4	$ 505	$ 275	84	$ 140	$ 100	**$ 1,108**
Hotel	129	227	39	39	129	480	**1,043**
Industrial	—	314	185	216	129	245	**1,089**
Office	10	120	31	24	46	740	**971**
Parking	—	55	29	27	13	291	**415**
Retail	—	264	117	64	35	366	**846**
Storage	11	8	22	36	38	16	**131**
Other	58	147	45	—	28	71	**349**
Total	**$ 212**	**$ 1,640**	**$ 743**	**$ 490**	**$ 558**	**$ 2,309**	**$ 5,952**
Allowance for credit losses							**(33)**
Total, net of allowance							**$ 5,919**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At September 30, 2023, two commercial loans were past due over 90 days or in non-accrual status (December 31, 2022 - one commercial loan).

NOTE 6. PRIVATE LOANS

The following table summarizes the credit ratings for private loans:

AS AT US$ MILLIONS	September 30, 2023	December 31, 2022
A or higher	$ 50	$ 4
BBB	82	17
BB and below	742	395
Unrated	830	728
Total	$ 1,704	$ 1,144

Allowance for Credit Losses

The rollforward of the allowance for credit losses for private loans is shown below:

FOR THE PERIOD ENDED SEP. 30 US$ MILLIONS	2023	2022
Balance at January 1	$ (28)	$ (12)
Recoveries	1	3
Balance at March 31	(27)	(9)
Provision	(3)	(4)
Balance at June 30	(30)	(13)
Provision	(12)	(9)
Balance at September 30	$ (42)	$ (22)

NOTE 7. REAL ESTATE AND REAL ESTATE PARTNERSHIPS

The carrying amount of investment real estate, net of accumulated depreciation, and real estate partnerships by property-type are as follows:

AS AT US$ MILLIONS, EXCEPT FOR PERCENTAGES	September 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Hotel	$ 478	13 %	$ 77	7 %
Industrial	439	11 %	168	16 %
Land	49	1 %	48	5 %
Office	1,890	49 %	243	23 %
Retail	212	6 %	212	20 %
Apartments	492	13 %	254	25 %
Student housing	85	2 %	—	— %
Other	179	5 %	34	4 %
Total	$ 3,824	100 %	$ 1,036	100 %

The Company regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities ("VIEs"). In certain instances, in addition to an economic interest in the entity, the Company holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment. The Company has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs as at September 30, 2023 or December 31, 2022.

NOTE 8. EQUITY METHOD INVESTMENTS

The Company's total investment in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships as at September 30, 2023 and December 31, 2022, was $5.0 billion and $2.8 billion, respectively.

The Company generally recognizes its share of earnings in its equity method investments within net investment income using a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period.

Aggregate net income of these entities totaled $128 million and $93 million for the nine months ended September 30, 2023 and 2022, respectively. Aggregate net income (from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income (loss) and realized and unrealized investment gains (losses).

NOTE 9. DERIVATIVE INSTRUMENTS

The Company manages risks associated with certain assets and liabilities by using derivative financial instruments. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments. The Company does not invest in derivatives for speculative purposes.

Foreign exchange forwards, options, cross currency swaps, interest rate swaps and warrants are over-the-counter contractual agreements negotiated between counterparties. The Company purchases equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default.

Derivatives, except for embedded derivatives, are included in Other Invested Assets or Other Liabilities, at fair value. Embedded derivative assets and liabilities on Modco arrangements and embedded derivative liabilities on indexed annuity and variable annuity products are included on the Statements of Financial Position within the Reinsurance Funds Withheld, and Policyholders' Account Balances lines respectively, at fair value.

The notional and fair values of derivative instruments, presented on the balance sheet, are shown below:

US$ MILLIONS	Primary underlying risk	Location in the Consolidated Statements of Financial Position	**September 30, 2023** Notional Amount	**September 30, 2023** Carrying Value / Fair Value Assets	**September 30, 2023** Carrying Value / Fair Value Liabilities	December 31, 2022 Notional Amount	December 31, 2022 Carrying Value / Fair Value Assets	December 31, 2022 Carrying Value / Fair Value Liabilities
Derivatives designated as hedging instruments								
Foreign exchange forwards	Foreign Currency	Other invested assets	**$ 1,057**	**$ —**	**$ (16)**	$ —	$ —	$ —
Derivatives not designated as hedging instruments								
Equity-indexed options	Equity	Other invested assets	**$ 8,587**	**$ 60**	**$ —**	$ 7,452	$ 157	$ —
Foreign exchange forwards	Foreign Currency	Other invested assets	**1,366**	**—**	**(8)**	2,809	7	(12)
Bond futures	Interest Rate	Other invested assets	**1,481**	**1**	**—**	1,504	—	(25)
Cross currency swaps	Foreign Currency	Other invested assets	**17**	**1**	**—**	17	1	—
Interest rate swaps	Interest Rate	Other invested assets	**86**	**—**	**—**	15	1	—
Interest rate options	Interest Rate	Other invested assets	**4,100**	**27**	**—**	—	—	—
Embedded derivatives in:								
Modco arrangement	Interest rate	Reinsurance funds withheld	**—**	**124**	**—**	—	151	—
Indexed annuity and variable annuity product	Interest rate	Policyholders' account balances	**—**	**—**	**(1,018)**	—	—	(907)
			$ 15,637	**$ 213**	**$ (1,026)**	$ 11,797	$ 317	$ (944)

Derivatives Designated as Hedging Instruments

The Company has designated and accounted for certain foreign exchange forwards as fair value hedges to protect a portion of available-for-sale fixed maturity securities against changes in fair value due to changes in exchange rates.

For derivative financial instruments that were designated and qualified as fair value hedges, the gain or loss on the portion of the derivative instrument included in the assessment of hedge effectiveness and the offsetting gain or loss on the hedged item attributable to the hedged risk were recognized in the same line item in the Statements of Operations. The unrealized gain or loss attributable to changes in exchange rates on the available-for-sale fixed maturity securities that were designated as part of the hedge were reclassified out of Accumulated other comprehensive income (loss) into Investment related gains (losses), net in the Statements of Operations. The remaining change in unrealized gain or loss on the hedged item not associated with the risk being hedged remained as a component of Other comprehensive income (loss).

The following represents the carrying amount and cumulative fair value hedging adjustments for items designated and qualifying as hedged items in fair value hedges:

US$ MILLIONS	**September 30, 2023**		December 31, 2022	
Location in the Consolidated Statements of Financial Position	**Carrying Amount of the Hedged Assets**	**Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets**	Carrying Amount of the Hedged Assets	Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets
Available-for-sale fixed maturity securities	**$ 1,430**	**$ 36**	$ —	$ —

The following represents the financial statement location and amount of gains (losses) related to the derivatives and hedged items that qualify for fair value hedge accounting:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	**Three Months Ended**		**Nine Months Ended**	
Location in the Consolidated Statements of Operations	**2023**	2022	**2023**	2022
Investment related gains (losses), net				
Hedged items	**$ 39**	$ —	**$ 39**	$ —
Derivatives designated as hedging instruments	**(34)**	—	**(34)**	—
Net	**$ 5**	$ —	**$ 5**	$ —

Derivatives Not Designated as Hedging Instruments

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Locations in the Consolidated Statements of Operations	Gains (Losses) Recognized in Income on Derivatives			
		Three Months Ended		Nine Months Ended	
		2023	2022	**2023**	2022
Equity-indexed options	Investment related gains (losses), net	**$ (85)**	$ (66)	**$ 8**	$ (126)
Foreign exchange forwards	Investment related gains (losses), net	**2**	(79)	**39**	26
Bond futures	Investment related gains (losses), net	**(5)**	92	**(14)**	88
Interest rate swaps	Investment related gains (losses), net	**(1)**	—	**(1)**	—
Interest rate options	Investment related gains (losses), net	**78**	—	**78**	—
Warrants	Investment related gains (losses), net	**—**	3	**—**	3
Embedded derivatives in:					
Modco arrangement	Net investment results from funds withheld	**(2)**	93	**(12)**	105
Indexed annuity and variable annuity product	Interest sensitive contract benefits	**66**	79	**27**	(11)
		$ 53	$ 122	**$ 125**	$ 85

Derivative Exposure

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government-backed assets. The non-performance risk is the net counterparty exposure based on fair value of open contracts less fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. A right of offset has been applied to collateral that supports credit risk and has been recorded in the condensed consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Information regarding the Company's exposure to credit loss on the derivatives it holds is presented below:

AS AT SEP. 30, 2023 US$ MILLIONS **Derivative Type**	**Derivative Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Equity-indexed options	$ 235	$ 165	$ 21	$ 186	$ 175	$ 11	$ 60
Foreign exchange forwards	(8)	—	—	—	—	—	(8)
Bond futures	1	—	—	—	—	—	1
Cross currency swaps	1	—	—	—	—	—	1
Interest rate options	27	—	—	—	—	—	27
	$ 256	**$ 165**	**$ 21**	**$ 186**	**$ 175**	**$ 11**	**$ 81**

1. Our PRT business had no collateral held in cash and invested assets as at September 30, 2023 that are not offset against its derivative contracts.

AS AT DEC. 31, 2022 US$ MILLIONS **Derivative Type**	**Derivative Fair Value**	**Collateral Held in Cash**[1]	**Collateral Held in Invested Assets**[1]	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Equity-indexed options	$ 157	$ 101	$ 20	$ 121	$ 121	$ —	$ 36
Foreign exchange forwards	(5)	—	—	—	—	—	(6)
Bond futures	(25)	—	—	—	—	—	(25)
Cross currency swaps	1	—	—	—	—	—	1
Interest rate swaps	1	—	—	—	—	—	1
	$ 129	**$ 101**	**$ 20**	**$ 121**	**$ 121**	**$ —**	**$ 7**

1. Our PRT business had $81 million collateral held in cash and invested assets as at December 31, 2022 that are not offset against its derivative contracts.

NOTE 10. NET INVESTMENT INCOME AND REALIZED INVESTMENT GAINS

Net investment income is shown below:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Available-for-sale fixed maturity securities	**$ 206**	$ 180	**$ 626**	$ 287
Equity securities	**11**	—	**11**	—
Mortgage loans	**80**	87	**229**	120
Private loans	**11**	5	**46**	22
Short-term investments	**33**	20	**171**	17
Investment funds	**58**	8	**122**	33
Policy loans	**11**	8	**11**	8
Equity accounted investments	**—**	28	**—**	78
Real estate and other invested assets	**32**	58	**66**	80
Total net investment income	**$ 442**	$ 394	**$ 1,282**	$ 645

Net unrealized and realized investment gains (losses) are shown below:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Available-for-sale fixed maturity securities	**$ (22)**	$ (46)	**$ (90)**	$ (102)
Equity securities	**(69)**	(123)	**87**	(148)
Mortgage loans	**10**	(2)	**(2)**	(46)
Private loans	**—**	(6)	**(3)**	(6)
Short-term investments and other invested assets	**(1)**	(41)	**112**	(23)
Total investment related gains (losses), net	**$ (82)**	$ (218)	**$ 104**	$ (325)

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments are shown below:

AS AT US$ MILLIONS	September 30, 2023 Carrying Amount	September 30, 2023 Fair Value	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value
Financial assets				
Available-for-sale fixed maturity securities	**$ 14,732**	**$ 14,732**	$ 16,316	$ 16,316
Equity securities	**2,031**	**2,031**	1,253	1,253
Mortgage loans on real estate, net of allowance	**5,919**	**5,587**	5,888	5,637
Private loans, net of allowance	**1,704**	**1,713**	1,144	1,086
Policy loans	**383**	**383**	374	374
Short-term investments	**3,328**	**3,328**	2,402	2,402
Other invested assets				
Derivative assets	**89**	**89**	44	44
Separately managed accounts	**122**	**122**	127	127
Other	**55**	**38**	40	40
Reinsurance funds withheld	**7,176**	**7,176**	5,812	5,812
Separate account assets [1]	**1,090**	**1,090**	1,045	1,045
Total financial assets	**$ 36,629**	**$ 36,289**	$ 34,445	$ 34,136
Financial liabilities				
Policyholders' account balances – embedded derivative	**$ 1,018**	**$ 1,018**	$ 907	$ 907
Market risk benefits	**184**	**184**	124	124
Other liabilities				
Derivative liabilities	**24**	**24**	38	38
Funds withheld liabilities	**18**	**18**	10	10
Notes payable	**170**	**170**	151	151
Corporate and Subsidiary Borrowings	**2,737**	**2,695**	3,652	3,625
Separate account liabilities[1]	**1,090**	**1,090**	1,045	1,045
Total financial liabilities	**$ 5,241**	**$ 5,199**	$ 5,927	$ 5,900

1. Balance includes $32 million and $33 million of assets, and corresponding liabilities, that are not subject to fair value hierarchy as at September 30, 2023 and December 31, 2022, respectively.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. The Company has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation

Valuation Techniques for Financial Instruments Recorded at Fair Value

Available-for-sale Fixed Maturity Securities and Equity Options — The Company utilizes pricing services to estimate fair value measurements. The fair value for available-for-sale fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most available-for-sale fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for available-for-sale fixed maturity securities that have quoted prices in active markets. Since available-for-sale fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

The Company has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant's assumptions. The Company does not adjust quotes received from the pricing service. The pricing service utilized by The Company has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

The Company holds a small amount of private placement debt and available-for-sale fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent pricing source (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, the Company includes these fair value estimates in Level 3.

For securities priced using a quote from an independent pricing source, such as the equity-indexed options and certain available-for-sale fixed maturity securities, The Company uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities — For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for available-for-sale fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. The Company tests the accuracy of the information provided by reference to other services annually.

Short-term Investments — Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Separate Account Assets and Liabilities — Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of The Company. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. The Company reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from The Company's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, The Company's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the condensed consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of The Company.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and available-for-sale fixed maturity. Equity securities are classified as Level 1 measurements. Short-term investments and available-for-sale fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investment funds, accrued investment income, and receivables for securities. These are not included in the quantitative disclosures of fair value hierarchy table.

No gains or losses were recognized on assets transferred to separate accounts for the three and nine months ended September 30, 2023 and 2022, respectively.

Reinsurance Funds Withheld — Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Market Risk Benefits are classified as Level 3 fair value measurements as the fair value is based on unobservable inputs. The key assumptions for calculating the fair value of the MRBs are market assumptions such as equity market returns, interest rate levels, market volatility and correlations and policyholder behavior assumptions such as lapse, mortality, utilization and withdrawal patterns. Risk margins are included in the policyholder behavior assumptions. The assumptions are based on a combination of historical data and actuarial judgment. The MRBs are valued using stochastic models that incorporate a spread reflecting our nonperformance risk.

Derivative Assets/Derivative Liabilities

- Foreign currency forward contracts — discounted cash flow model — forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate.
- Interest rate contracts - discounted cash flow model - forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.

- Warrants – intrinsic value based on the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
- Equity-index options – inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Embedded Derivatives — The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract's surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.
- Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index.

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

AS AT US$ MILLIONS	Fair Value September 30, 2023	 December 31, 2022	Unobservable Input
Embedded derivative			
Indexed Annuities and indexed life	**$ 825**	$ 726	Lapse Rate Mortality Multiplier Equity Volatility

Funds withheld liabilities — Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Equity-Index Options — Certain over-the-counter equity options are valued using models that are widely accepted in the financial services industry with non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Available-for-sale fixed maturity Securities — These bonds use cost as the best estimate of fair value. They are valued at cost because the value would not change unless there is a fundamental deterioration in the portfolio. There is no observable market valuation price or third-party sources that provide market values for these securities since they are not publicly traded. The common and preferred stock are valued at market transaction, option pricing method, or guideline public company method based on the best available information.

Separately Managed Accounts — The separately managed account manager uses the mid-point of a range from a third-party to price these securities. Discounted cash flows (yield analysis) and market transactions approach are used in the valuation. They use discount rates which is considered an unobservable input.
The fair value hierarchy measurements of the financial instruments are shown below:

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at September 30, 2023			
US$ MILLIONS	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 126	$ 79	$ 47	$ —
U.S. states and political subdivisions	726	—	726	—
Foreign governments	514	—	514	—
Corporate debt securities	12,204	—	10,489	1,715
Residential mortgage-backed securities	118	—	118	—
Commercial mortgage-backed securities	442	—	412	30
Collateralized debt securities	602	—	585	17
Total fixed maturity, available-for-sale	**14,732**	**79**	**12,891**	**1,762**
Equity securities				
Common stock	1,401	1,252	—	149
Preferred stock	115	33	—	82
Private equity and other	515	—	—	515
Total equity securities	**2,031**	**1,285**	**—**	**746**
Short-term investments	3,328	2,527	6	795
Other invested assets:				
Derivative assets	89	1	88	—
Separately managed accounts	122	—	—	122
Reinsurance funds withheld	7,176	—	7,176	—
Separate account assets	1,058	358	700	—
Total financial assets	**$ 28,536**	**$ 4,250**	**$ 20,861**	**$ 3,425**
Financial liabilities				
Policyholders' account balances – embedded derivative	1,018	—	193	825
Market risk benefit	184	—	—	184
Other liabilities:				
Derivative liabilities	24	—	24	—
Funds withheld liabilities	18	—	18	—
Separate account liabilities	1,058	358	700	—
Total Financial liabilities	**$ 2,302**	**$ 358**	**$ 935**	**$ 1,009**

US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 110	$ 40	$ 70	$ —
U.S. states and political subdivisions	855	—	855	—
Foreign governments	318	—	318	—
Corporate debt securities	13,491	—	13,045	446
Residential mortgage-backed securities	127	—	127	—
Commercial mortgage-backed securities	408	—	408	—
Collateralized debt securities	1,007	—	561	446
Total fixed maturity, available-for-sale	16,316	40	15,384	892
Equity securities				
Common stock	1,156	989	—	167
Preferred stock	75	36	—	39
Private equity and other	22	—	—	22
Total equity securities	1,253	1,025	—	228
Short-term investments	2,402	1,160	—	1,242
Other invested assets:				
Derivative assets	44	—	43	1
Separately managed accounts	127	—	—	127
Reinsurance funds withheld	5,806	—	5,806	—
Separate account assets	1,012	313	699	—
Total financial assets	$ 26,960	$ 2,538	$ 21,932	$ 2,490
Financial liabilities				
Policyholders' account balances – embedded derivative	907	—	181	726
Market risk benefit	124	—	—	124
Other liabilities:				
Derivative liabilities	38	25	13	—
Funds withheld liabilities	10	—	10	—
Separate account liabilities	1,012	313	699	—
Total Financial liabilities	$ 2,091	$ 338	$ 903	$ 850

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair value is discussed below:

Mortgage Loans — The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property-type, lien priority, payment type and current status.

Policy Loans — The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, as such the carrying value of policy loans approximates fair value.

Corporate and Subsidiary Borrowings — Corporate and Subsidiary Borrowings are carried at outstanding principal balance. The carrying value approximates fair value because the carrying value represents the amount owing and payable to the creditor at the balance sheet date.

Notes Payable — Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below:

AS AT SEP. 30, 2023 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,919	$ 5,587
Private loans, net of allowance	3	1,704	1,713
Policy loans	3	383	383
Other invested assets, excluding derivatives and separately managed accounts	3	48	31
Total financial assets		**$ 8,054**	**$ 7,714**
Financial liabilities			
Corporate and subsidiary borrowings	3	$ 2,737	$ 2,695
Notes payable	3	170	170
Total financial liabilities		**$ 2,907**	**$ 2,865**

AS AT DEC. 31, 2022 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,888	$ 5,637
Private loans, net of allowance	3	1,144	1,086
Policy loans	3	374	374
Other invested assets, excluding derivatives and separately managed accounts	3	127	127
Total financial assets		$ 7,533	$ 7,224
Financial liabilities			
Corporate and subsidiary borrowings	3	$ 3,652	$ 3,625
Notes payable	3	151	151
Total financial liabilities		$ 3,803	$ 3,776

For financial assets measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below:

	Assets			Liabilities
FOR THE THREE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Investment Securities	Derivative Assets	Separately Managed Accounts	Derivative Liabilities
Balance, beginning of period	$ 3,982	$ 8	$ 127	$ 809
Fair value changes in net income	(2)	(21)	—	—
Net change included in interest sensitive contract benefits	—	—	—	(23)
Fair value changes in other comprehensive income	316	—	(1)	—
Purchases	761	68	14	—
Sales	(1,754)	—	(18)	—
Settlements or maturities	—	(55)	—	—
Premiums less benefits	—	—	—	39
Balance, end of period	**$ 3,303**	**$ —**	**$ 122**	**$ 825**

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Assets Investment Securities	 Derivative Assets	 Separately Managed Accounts	Liabilities Derivative Liabilities
Balance, beginning of period	$ 2,362	$ 1	$ 127	$ 726
Fair value changes in net income	(293)	(37)	(1)	—
Net change included in interest sensitive contract benefits	—	—	—	49
Fair value changes in other comprehensive income	393	—	(1)	—
Purchases	2,928	129	26	—
Sales	(2,096)	—	(29)	—
Settlements or maturities	—	(93)	—	—
Premiums less benefits	—	—	—	50
Transfers into Level 3	30	—	—	—
Transfers out of Level 3	(21)	—	—	—
Balance, end of period	**$ 3,303**	**$ —**	**$ 122**	**$ 825**

FOR THE THREE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Assets Investment Securities	 Derivative Assets	 Separately Managed Accounts	Liabilities Derivative Liabilities
Balance, beginning of period	$ 842	$ —	$ 118	$ 724
Fair value changes in net income	(1)	—	—	—
Net change included in interest sensitive contract benefits	—	—	—	(67)
Fair value changes in other comprehensive income	—	(25)	—	—
Purchases	611	32	16	—
Sales	(4)	—	(8)	—
Settlements or maturities	—	(7)	—	—
Premiums less benefits	—	—	—	14
Balance, end of period	**$ 1,448**	**$ —**	**$ 126**	**$ 671**

FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Assets Investment Securities	Assets Derivative Assets	Assets Separately Managed Accounts	Liabilities Derivative Liabilities
Balance, beginning of period	$ 109	$ —	$ —	$ —
Acquisitions from business combination	373	3	113	745
Fair value changes in net income	—	(9)	—	—
Net change included in interest sensitive contract benefits	—	—	—	(91)
Fair value changes in other comprehensive income	(1)	(25)	—	—
Purchases	994	41	27	—
Sales	(7)	—	(14)	—
Settlements or maturities	—	(10)	—	—
Premiums less benefits	—	—	—	17
Transfers out of Level 3	(20)	—	—	—
Balance, end of period	**$ 1,448**	**$ —**	**$ 126**	**$ 671**

There were no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. The Company's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions.

The following summarizes the fair value, valuation techniques and unobservable inputs of the Level 3 fair value measurements:

Type of Asset	Valuation Techniques	Significant Unobservable Inputs
Equity-index Option	Heston and Black-Scholes Valuation models	• Interest rate (risk-free rate assumptions) • Underlying equity quoted index prices
Available-for-sale fixed maturity securities	Corporate debt securities • Discounted cash flows (yield analysis) • Income approach • Price at cost	Corporate debt securities • Contractual cash flows • Duration • Call provisions • Weighted-average life • Risk premium • Coupon rate
	Collateralized debt securities • Broker quotes • Income approach	Collateralized debt securities • Contractual cash flows • Weighted-average coupon and maturity • Collateral type • Loss severity • Geography
Common shares, preferred shares and private equity	• Broker quotes • Income approach • Current Value Method ("CVM") • Guideline public company method[1]	• Security structure • Last Twelve Months ("LTM") Revenue Multiple[3] • Next Calendar Year ("NCY") Revenue Multiple[5] • NCY +1 EBITDA Multiple[4] • LTM EBITDA Multiple[2]
Separately managed accounts	Common Stock and Warrants • Guideline public company method uses price multiples from data on comparable public companies. • Option pricing method • CVM	Common Stock and Warrants • NCY Multiple • NCY +1 EBITDA Multiple[4] • LTM Revenue Multiple[3] • LTM EBITDA Multiple[2] • Term • Volatility • Discount for lack of marketability ("DLOM")
	Preferred Stock • Guideline public company method uses price multiples from data on comparable public companies. • CVM	Preferred Stock • NCY Revenue Multiple[5] • NCY +1 EBITDA Multiple[4] • LTM Revenue Multiple[3] • LTM EBITDA Multiple[2]
	Fixed Income • Discounted cash flows (yield analysis) • market transactions approach • CVM • Cost	Fixed Income • Discount rate • NCY EBITDA

1. Guideline public company method uses price multiples from data on comparable public companies. Multiples are then adjusted to account for differences between what is being valued and comparable firms.
2. Last Twelve Months ("LTM") EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12-month period.
3. LTM Revenue Multiple valuation metric shows revenue for the past 12-month period.
4. Next Calendar Year ("NCY") EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.
5. NCY Revenue forecast revenue over the next calendar year.

NOTE 12. SEPARATE ACCOUNT ASSETS AND LIABILITIES

The following table presents the change of the Company's separate account assets and liabilities:

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	**2023**	2022
Balance, beginning of period	**$ 1,045**	$ —
Additions (deductions)		
Acquisition from business combination	—	1,123
Policyholder deposits	**59**	26
Net investment income	**18**	9
Net realized capital gains on investments	**78**	(108)
Policyholder benefits and withdrawals	**(96)**	(39)
Net transfer from separate account	**(6)**	(5)
Policy charges	**(8)**	(3)
Total changes	**45**	1,003
Balance, end of period	**$ 1,090**	$ 1,003

NOTE 13. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The following table presents a rollforward of deferred acquisition costs and value of business acquired for the periods indicated:

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	**Direct Insurance**	**Reinsurance**	**Total**
Balance, beginning of period	$ 661	$ 925	**$ 1,586**
Additions	648	518	**1,166**
Amortization	(398)	(52)	**(450)**
Net change	250	466	**716**
Balance, end of period	**$ 911**	**$ 1,391**	**$ 2,302**

FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	**Direct Insurance**	**Reinsurance**	**Total**
Balance, beginning of period	$ —	$ 710	$ 710
Acquisition from business combinations and additions	797	201	998
Amortization	(168)	(38)	(206)
Net change	629	163	792
Balance, end of period	**$ 629**	**$ 873**	**$ 1,502**

The following table presents a rollforward of VOBA for the periods indicated:

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	VOBA Asset
Balance, beginning of period	$ 404
Additions	36
Amortization	(63)
Balance, end of period	**$ 377**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	VOBA Asset
Balance, beginning of period	$ —
Acquisition from business combination	538
Amortization	(88)
Net change	450
Balance, end of period	**$ 450**

The following table provides the projected VOBA asset amortization expenses for a five-year period and thereafter:

Years	**VOBA Asset**
2023	$ 8
2024	31
2025	27
2026	25
2027	22
Thereafter	264
Total amortization expense	**$ 377**

NOTE 14. ACQUISITION OF BUSINESS

On May 25, 2022, the Company acquired American National. American National offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Under the terms of the Merger Agreement, the Company acquired 100% of all American National issued and outstanding shares in exchange for $190 per share, which is equivalent to $5.1 billion. The consideration was all cash. The Company acquired all assets and assumed all liabilities of American National as of the closing date, and consolidates the business for financial statement purposes. The acquired business contributed revenues of $223 million and net profit of $16 million to the Company for the period from May 25 to June 30, 2022.

As part of re-assessing the final valuations of certain assets, such as intangible assets and goodwill, and certain liabilities, the Company recognized measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Measurement period adjustments consist primarily with a decrease of $37 million to property and equipment, a decrease of $16 million to value of business acquired, an increase of $19 million to goodwill, a decrease of $29 million to future policy benefits, and a decrease of $5 million to other liabilities. The valuation has been finalized in the second quarter of 2023 as follows:

Assets acquired	
Cash and cash equivalents	$ 1,021
Investments	22,519
Accrued investment income	101
Reinsurance recoverables	45
Premiums due and other receivables	437
Deferred tax assets	374
Property and equipment	138
Prepaid pension	149
Equity accounted investment	1,402
Deferred acquisition costs and value of business acquired	555
Reinsurance assets	410
Investment properties	541
Other assets	198
Separate account assets	1,123
Total assets acquired	**29,013**
Liabilities assumed	
Future policy benefits	5,304
Policyholders' account balances	13,880
Policy and contract claims	1,706
Unearned premium reserve	1,073
Other policyholder funds	324
Notes payable	158
Other liabilities	449
Separate account liabilities	1,123
Total liabilities assumed	**24,017**
Less: Non-controlling interest	**(10)**
Net assets acquired	**4,986**
Goodwill	**$ 121**

NOTE 15. ASSETS HELD FOR SALE

In June 2023, the Company finalized an agreement to sell its health insurance business to a third party. The business is being acquired by a third party for cash through the acquisition of 100% of the stock of one wholly-owned subsidiaries and certain reinsurance transactions. The completion of the transaction will be conditional upon obtaining the required regulatory approvals and is expected to close in the fourth quarter of 2023.

The carrying amounts of the major classes of assets and liabilities classified as held-for-sale are shown below:

AS AT SEP. 30, 2023 US$ MILLIONS	**2023**
Cash and cash equivalents	$ 13
Accrued investment income	8
Reinsurance recoverables	186
Premiums due and other receivables	43
Other assets	11
Total assets	**261**
Policy and contract claims	189
Other liabilities	56
Total liabilities	**$ 245**

There were no assets held for sale as at December 31, 2022.

NOTE 16. FUTURE POLICY BENEFITS

The reconciliation of the balances described in the table below to the future policy benefits in the statements of financial position is as follows.

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	**2023**	2022
Future policy benefits		
Direct Insurance	**$ 2,874**	$ 3,136
Pension Risk Transfer	**3,619**	2,964
Deferred profit liability		
Direct Insurance	**68**	24
Pension Risk Transfer	**219**	187
Other contracts and VOBA liability	**1,797**	1,700
Total future policy benefits	**$ 8,577**	$ 8,011

a. Future Policy Benefits

The balances and changes in the liability for future policy benefits are as follows:

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Balance, beginning of period	$ 3,775	$ —	**$ 3,775**
Beginning balance at original discount rate	4,087	—	**4,087**
Effect of changes in cash flow assumptions	25	—	**25**
Effect of actual variances from expected experience	(36)	—	**(36)**
Adjusted beginning of period balance	4,076	—	**4,076**
Issuances	88	926	**1,014**
Interest accrual	95	7	**102**
Net premiums collected	(328)	(934)	**(1,262)**
Derecognitions (lapses and withdrawals)	(27)	1	**(26)**
Ending balance at original discount rate	3,904	—	**3,904**
Effect of changes in discount rate assumptions	(452)	—	**(452)**
Balance, end of period	$ 3,452	$ —	**$ 3,452**
Present value of expected future policy benefits			
Balance, beginning of period	$ 6,909	$ 2,966	**$ 9,875**
Beginning balance at original discount rate	7,546	3,307	**10,853**
Effect of changes in cash flow assumptions	26	(9)	**17**
Effect of actual variances from expected experience	(34)	(14)	**(48)**
Adjusted beginning of period balance	7,538	3,284	**10,822**
Issuances	88	930	**1,018**
Interest accrual	175	114	**289**
Benefit payments	(536)	(210)	**(746)**
Derecognitions (lapses and withdrawals)	(27)	1	**(26)**
Foreign currency translation	—	(10)	**(10)**
Ending balance at original discount rate	7,238	4,109	**11,347**
Effect of changes in discount rate assumptions	(912)	(493)	**(1,405)**
Effect of foreign currency translation on the effect of changes in discount rate assumptions	—	3	**3**
Balance, end of period	6,326	3,619	**9,945**
Net liability for future policy benefits	**2,874**	**3,619**	**6,493**
Less: Reinsurance recoverables	(62)	(53)	**(115)**
Net liability for future policy benefits, after reinsurance recoverable	**$ 2,812**	**$ 3,566**	**$ 6,378**

AS AT SEP. 30, 2023	Direct Insurance	Pension Risk Transfer
Weighted-average liability duration of future policy benefits (years)	13	9

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Acquisition from business combination	$ 4,188	$ —	$ 4,188
Issuances	84	1,391	1,475
Interest accrual	29	13	42
Net premiums collected	(148)	(1,404)	(1,552)
Ending balance at original discount rate	4,153	—	4,153
Effect of changes in discount rate assumptions	(378)	—	(378)
Balance, end of period	$ 3,775	$ —	$ 3,775
Present value of expected future policy benefits			
Balance, beginning of period	$ —	$ 2,171	$ 2,171
Beginning balance at original discount rate	—	2,071	2,071
Effect of actual variances from expected experience	—	(9)	(9)
Adjusted beginning of period balance	—	2,062	2,062
Acquisition from business combination	7,665	—	7,665
Issuances	84	1,420	1,504
Interest accrual	53	69	122
Benefit payments	(188)	(109)	(297)
Foreign currency translation	—	(284)	(284)
Ending balance at original discount rate	7,614	3,158	10,772
Effect of foreign currency translation on the effect of changes in discount rate assumptions	—	(28)	(28)
Effect of changes in discount rate assumptions	(766)	(290)	(1,056)
Balance, end of period	$ 6,848	$ 2,840	$ 9,688
Net liability for future policy benefits	3,073	2,840	5,913
Less: Reinsurance recoverables	(67)	(90)	(157)
Net liability for future policy benefits, after reinsurance recoverable	$ 3,006	$ 2,750	$ 5,756

AS AT SEP. 30, 2022	**Direct Insurance**	**Pension Risk Transfer**
Weighted-average liability duration of future policy benefits (years)	13	9

The amount of undiscounted expected gross premiums and expected future benefit payments follows:

	2023		2022	
AS AT SEP. 30 US$ MILLIONS	**Undiscounted**	**Discounted**	Undiscounted	Discounted
Direct Insurance				
Expected future benefit payments	**$ 14,442**	**$ 6,326**	$ 14,503	$ 6,848
Expected future gross premiums	**9,400**	**4,602**	9,536	4,886
Pension Risk Transfer				
Expected future benefit payments	**6,348**	**3,619**	4,805	2,840
Expected future gross premiums	**—**	**—**	—	—
Total				
Expected future benefit payments	**20,790**	**9,945**	19,308	9,688
Expected future gross premiums	**9,400**	**4,602**	9,536	4,886

The amount of revenue and interest recognized in the statements of operations follows:

FOR THE THREE MONTHS ENDED SEP. 30 US$ MILLIONS	**Gross Premiums or Assessments**		**Interest Expense**	
	2023	2022	**2023**	2022
Direct Insurance	**$ 160**	$ 117	**$ 52**	$ 19
Pension Risk Transfer	**280**	1,391	**43**	62

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	**Gross Premiums or Assessments**		**Interest Expense**	
	2023	2022	**2023**	2022
Direct Insurance	**$ 452**	$ 164	**$ 126**	$ 24
Pension Risk Transfer	**955**	2,628	**80**	77

The weighted-average interest rate follows:

FOR THE NINE MONTHS ENDED SEP. 30	**2023**	2022
Direct Insurance		
Interest accretion rate	**5 %**	4 %
Current discount rate	**6 %**	5 %
Pension Risk Transfer		
Interest accretion rate	**4 %**	4 %
Current discount rate	**6 %**	5 %

b. Deferred Profit Liability

For limited-pay products, gross premiums received in excess of net premiums are deferred at initial recognition as deferred profit liability ("DPL"). The assumptions and reflection of experience for DPL will be consistent with those used in the liability for future policy benefits, including the remeasurement methodology. The discount rate used in calculating DPL will be consistent with the locked-in rate used for the liability for future policy benefits.

DPL is amortized in income on a constant basis in relation with benefit payments. For life contingent payout annuities, DPL is amortized over expected future benefit payments.

For limited payment traditional life permanent contracts, DPL is amortized over face amount for limited payment traditional life permanent contracts.

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of period	$ 24	$ 187	**$ 211**
Effect of changes in cash flow assumptions	—	9	**9**
Effect of actual variances from expected experience	1	12	**13**
Adjusted beginning of period balance	25	208	**233**
Profits deferred	43	18	**61**
Interest accrual	1	6	**7**
Amortization	(1)	(13)	**(14)**
Balance, end of period	**$ 68**	**$ 219**	**$ 287**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of period	$ —	$ 158	**$ 158**
Effect of actual variances from expected experience	—	10	**10**
Adjusted beginning of period balance	—	168	**168**
Profits deferred	12	30	**42**
Interest accrual	—	5	**5**
Amortization	—	(8)	**(8)**
Foreign currency translation	—	(3)	**(3)**
Balance, end of period	**$ 12**	**$ 192**	**$ 204**

NOTE 17. POLICYHOLDERS' ACCOUNT BALANCES

Policyholders' account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances follow.

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ 14,247	$ 5,833	**$ 20,080**
Issuances	4,098	170	**4,268**
Premiums received	323	1,967	**2,290**
Policy charges	(273)	(27)	**(300)**
Surrenders and withdrawals	(1,797)	(182)	**(1,979)**
Interest credited	434	30	**464**
Benefit payments	—	(28)	**(28)**
Other	38	29	**67**
Balance, end of period	**$ 17,070**	**$ 7,792**	**$ 24,862**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ —	$ 4,677	$ 4,677
Acquisition from business combination	13,802	—	13,802
Issuances	734	305	1,039
Premiums received	146	721	867
Policy charges	(131)	(21)	(152)
Surrenders and withdrawals	(463)	(135)	(598)
Interest credited	32	29	61
Benefit payments	—	(20)	(20)
Other	129	(47)	82
Balance, end of period	$ 14,249	$ 5,509	$ 19,758

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the statements of financial position follows.

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	**2023**	2022
Direct Insurance	**$ 17,070**	$ 14,308
Reinsurance	**7,792**	5,833
Total	**$ 24,862**	$ 20,141

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums follow.

AS AT SEP. 30, 2023 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ 2,782	$ 45	$ 442	$ 704	$ —	**$ 3,973**
	1% - 2%	1,051	432	2,161	2,329	—	**5,973**
	2% - 3%	1,290	423	268	3,862	—	**5,843**
	Greater than 3%	930	6	1	1	—	**938**
	Other[1]	—	—	—	—	343	**343**
	Total	$ 6,053	$ 906	$ 2,872	$ 6,896	$ 343	**$ 17,070**
Reinsurance	0% - 1%	$ —	$ 655	$ 237	$ 35	$ —	**$ 927**
	1% - 2%	—	—	18	—	—	**18**
	2% to 3%	—	—	—	—	—	**—**
	Greater than 3%	—	—	—	—	—	**—**
	Other[1]	—	—	—	—	6,847	**6,847**
	Total	$ —	$ 655	$ 255	$ 35	$ 6,847	**$ 7,792**

[1]Other includes products with either a fixed rate or no guaranteed minimum crediting rate.

AS AT SEP. 30, 2022 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ 3,554	$ 4	$ 639	$ 53	$ —	$ 4,250
	1% - 2%	882	655	2,267	2,593	—	6,397
	2% - 3%	1,441	645	69	4	—	2,159
	Greater than 3%	997	6	1	—	—	1,004
	Other[1]	—	—	—	—	439	439
	Total	$ 6,874	$ 1,310	$ 2,976	$ 2,650	$ 439	$ 14,249
Reinsurance	0% - 1%	$ —	$ 358	$ 193	$ —	$ —	$ 551
	1% - 2%	—	—	9	—	—	9
	2% to 3%	—	—	—	—	—	—
	Greater than 3%	—	—	—	—	—	—
	Other[1]	—	—	—	—	4,949	4,949
	Total	$ —	$ 358	$ 202	$ —	$ 4,949	$ 5,509

[1]Other includes products with either a fixed rate or no guaranteed minimum crediting rate.

NOTE 18. MARKET RISK BENEFITS

The net balance of market risk benefit asset and liabilities of and changes in guaranteed minimum withdrawal benefits associated with annuity contracts follow.

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	$ 44	$ 70	**$ 114**
Effect of changes in the beginning instrument-specific credit risk	26	(28)	**(2)**
Effect of model refinements	—	(12)	**(12)**
Effect of non-financial assumption update	(9)	—	**(9)**
Attributed fees collected	9	23	**32**
Interest accrual	2	2	**4**
Adjustment from deterministic to stochastic	16	(5)	**11**
Effect of experience variance	(10)	(1)	**(11)**
Effect of changes in financial assumptions	(30)	(59)	**(89)**
Effect of changes in the ending instrument-specific credit risk	—	32	**32**
Issuance	—	100	**100**
Balance, end of period, net of reinsurance	**$ 48**	**$ 122**	**$ 170**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	$ —	$ 66	$ 66
Acquisition from business combination	172	—	172
Effect of changes in the beginning instrument-specific credit risk	10	(1)	9
Attributed fees collected	3	17	20
Interest accrual	1	1	2
Adjustment from deterministic to stochastic	8	1	9
Effect of experience variance	(3)	3	—
Effect of changes in financial assumptions	(100)	(61)	(161)
Effect of changes in the ending instrument-specific credit risk	(44)	20	(24)
Issuance	2	17	19
Balance, end of period, net of reinsurance	$ 49	$ 63	$ 112

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the market risk benefits amount in the statements of financial position follows.

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	**2023**			2022		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Direct insurance	$ 14	$ (62)	$ (48)	$ 10	$ (54)	$ (44)
Reinsurance	—	(122)	(122)	—	(70)	(70)
Total	**$ 14**	**$ (184)**	**$ (170)**	$ 10	$ (124)	$ (114)

NOTE 19. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for unpaid claims and claim adjustment expenses (“claims”) for health and property and casualty insurance is included in “Policy and contract claims” in the statements of financial position and is the amount estimated for incurred but not reported (“IBNR”) claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National’s historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the statements of operations in the year in which the changes occur. The time value of money is not taken into account for the purpose of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below:

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	**2023**	2022
Unpaid claims balance, beginning	**$ 1,555**	$ —
Less: Reinsurance recoverables	**(305)**	—
Net beginning balance	**1,250**	—
Acquisition from business combination	—	1,215
Incurred related to		
Current	**1,227**	510
Prior years	**(25)**	(20)
Total incurred claims	**1,202**	490
Paid claims related to		
Current	**656**	324
Prior years	**432**	123
Total paid claims	**1,088**	447
Net balance	**1,364**	1,258
Add: Reinsurance recoverables	**316**	316
Unpaid claims balance, ending	**$ 1,680**	$ 1,574

The estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately $25 million and $20 million respectively during the first nine months of 2023 and 2022. The favorable development in 2023 was a reflection of lower-than-anticipated settlement of losses emerging from commercial lines of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at September 30, 2023 and December 31, 2022 was $17 million and $16 million, respectively.

NOTE 20. CORPORATE AND SUBSIDIARY BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $550 million. The credit facilities bear interest at the specified SOFR, CDOR, or bankers' acceptance rate plus a spread and have a maturity date of June 2028. As at September 30, 2023, $16 million was drawn on the bilateral credit facilities.

The Company has a $1.0 billion 364-day revolving credit facility, maturing in October 2023, for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at September 30, 2023, the facility had $726 million outstanding. The facility has been subsequently extended to October 2024.

The Company also has a $500 million 364-day secured facility, maturing in April 2024. As at September 30, 2023, the facility was fully drawn.

The above noted facilities require the Company to maintain a minimum net worth covenant. As at September 30, 2023, the Company was in compliance with its financial covenants.

The Company also has a revolving credit facility with Brookfield Corporation[1] ("Brookfield") that, as at September 30, 2023, permitted borrowings of up to $400 million. As at September 30, 2023, there were no amounts drawn on the facility.

Subsidiary borrowings of $1.5 billion relate to debt issued at American National. $1.0 billion matures in 2027 and the remaining $500 million matures in 2032.

NOTE 21. INCOME TAXES

For the three and nine months ended September 30, 2023, the effective tax rates on pre-tax income were recoveries of 14% and 2%, respectively. The Company's effective tax rate differed from the statutory tax rate of 18% and 17% for the same respective periods, primarily due to international operations subject to different tax rates.

For the three and nine months ended September 30, 2022, the effective tax rates on pre-tax income were expenses of 19% and 10%, respectively. The Company's effective tax rate differed from the statutory tax rate of 16% for the same respective periods, primarily due to international operations subject to different tax rates.

1. Brookfield Corporation and its subsidiaries , controlled companies, and any investment funds sponsored, managed, or controlled by Brookfield Corporation

NOTE 22. SHARE CAPITAL

As at September 30, 2023 and December 31, 2022, the Company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $33.49 per share;

ii. 500,000,000 Exchangeable Class A-1 Limited Non-Voting Shares with a par value of $33.49 per share;

iii. 500,000 Class B Limited Voting Shares with a par value of $33.49 per share;

iv. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;

v. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;

vi. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;

vii. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;

viii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the Company as at September 30, 2023 and December 31, 2022 comprises the following:

AS AT US$ MILLIONS, EXCEPT SHARE AMOUNTS	**September 30, 2023**		December 31, 2022	
	Number of shares	**Value**	Number of shares	Value
Issued				
Class A exchangeable shares	**10,450,952**	**$ 447**	9,594,989	$ 422
Class B shares	**24,000**	**1**	24,000	1
Class C shares	**102,056,784**	**3,607**	40,934,623	1,467
Class A junior preferred shares	**100,460,280**	**2,663**	100,460,280	2,580

The movement of shares issued and outstanding is as follows:

FOR THE PERIODS ENDED SEP. 30	**2023**			
	Redeemable junior preferred shares	**Class A exchangeable shares**	**Class B shares**	**Class C shares**
Outstanding, January 1	100,460,280	9,594,989	24,000	40,934,623
Issuances	—	1,165,000	—	380,268
Repurchases	—	(309,037)	—	—
Outstanding, June 30	**100,460,280**	**10,450,952**	**24,000**	**41,314,891**
Issuances	**—**	**—**	**—**	60,741,893
Outstanding, September 30	**100,460,280**	**10,450,952**	**24,000**	**102,056,784**

FOR THE PERIODS ENDED SEP. 30	2022			
	Redeemable junior preferred shares	Class A exchangeable shares	Class B shares	Class C shares
Outstanding, January 1	—	10,877,989	24,000	23,544,548
Issuances	98,351,347	—	—	11,270,466
Outstanding, June 30	**98,351,347**	**10,877,989**	**24,000**	**34,815,014**
Changes in the period	**—**	**—**	**—**	**—**
Outstanding, September 30	**98,351,347**	**10,877,989**	**24,000**	**34,815,014**

At September 30, 2023, there were $151 million of accrued dividends on Class A junior preferred shares (December 31, 2022 – $68 million). The redemption value is equal to the carrying value as of September 30, 2023 and December 31, 2022.

NOTE 23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of and changes in the accumulated other comprehensive income ("AOCI"), and the related tax effects, are shown below:

FOR THE PERIODS ENDED SEP. 30, 2023 US$ MILLIONS	Unrealized Appreciation (Depreciation) on Investments	Defined Benefit Pension Plan Adjustment	Change in Instrument Specific Credit risk for Market Risk Benefit	Change in Discount Rate for Liability for Future Policyholder	Other	Total
Balance at January 1, 2023	**$ (1,018)**	**$ (4)**	**$ (7)**	**$ 507**	**$ (1)**	**$ (523)**
Other comprehensive income (loss) before reclassifications	105	2	(10)	(118)	(1)	**(22)**
Amounts reclassified to (from) net income	30	1	—	—	—	**31**
Deferred income tax benefit (expense)	(7)	—	—	20	—	**13**
Balance at June 30, 2023	**$ (890)**	**$ (1)**	**$ (17)**	**$ 409**	**$ (2)**	**$ (501)**
Other comprehensive income (loss) before reclassifications	(361)	1	(18)	438	(1)	**59**
Amounts reclassified to (from) net income	22	—	—	—	—	**22**
Deferred income tax benefit (expense)	87	—	4	(116)	—	**(25)**
Balance at September 30, 2023	**$ (1,142)**	**$ —**	**$ (31)**	**$ 731**	**$ (3)**	**$ (445)**

FOR THE PERIODS ENDED SEP. 30, 2022 US$ MILLIONS	Unrealized Appreciation (Depreciation) on Investments	Defined Benefit Pension Plan Adjustment	Change in Instrument Specific Credit risk for Market Risk Benefit	Change in Discount Rate for Liability for Future Policyholder	Other	Total
Balance at January 1, 2022	**$ 35**	**$ (5)**	**$ (1)**	**$ (63)**	**$ 1**	**$ (33)**
Other comprehensive income (loss) before reclassifications	(1,067)	—	13	532	—	**(522)**
Amounts reclassified to (from) net income	—	—	—	—	—	**—**
Deferred income tax benefit (expense)	117	—	—	(120)	(3)	**(6)**
Balance at June 30, 2022	**$ (915)**	**$ (5)**	**$ 12**	**$ 349**	**$ (2)**	**$ (561)**
Other comprehensive income (loss) before reclassifications	(862)	(5)	—	314	(11)	**(564)**
Amounts reclassified to (from) net income	18	—	—	—	—	**18**
Deferred income tax benefit (expense)	125	1	(5)	(67)	(1)	**53**
Balance at September 30, 2022	**$ (1,634)**	**$ (9)**	**$ 7**	**$ 596**	**$ (14)**	**$ (1,054)**

NOTE 24. EARNINGS PER SHARE

The components of basic earnings per share are summarized in the following table:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS AND SHARES	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Net income for the period	**$ 77**	$ 139	**$ 344**	$ 320
Dividends on Class A junior preferred shares	**(28)**	(28)	**(85)**	(39)
	$ 49	$ 111	**$ 259**	$ 281
Attributable to:				
Class A exchangeable and Class B shareholders	**1**	2	**3**	5
Class C shareholders	**47**	105	**253**	274
Non-controlling interests	**1**	4	**3**	2
Earnings per share per class C share - basic	**$ 0.65**	$ 3.03	**$ 4.92**	$ 9.51
Weighted average shares – Class C shares	**71,685,838**	34,815,014	**51,463,427**	28,828,869

NOTE 25. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties.

a) Brookfield Reinsurance agreements

The Company has an outstanding equity commitment in the amount of $2.0 billion from Brookfield to fund future growth, which the Company may draw on from time to time. As of September 30, 2023, there were no amounts drawn under the equity commitment.

In 2021, the Company entered into a credit agreement with Brookfield as lender for a three-year revolving credit facility which subsequently increased to $400 million in March 2022. As of September 30, 2023, there were no amounts drawn on the credit facilities under this agreement.

The following table reflects the related party agreements and transactions for the nine months ended September 30 in the statements of operations:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Administration fees with Brookfield	**2.1**	0.6	**5.5**	1.6
Investment management fees to Brookfield Asset Management	**16.4**	14.0	**46.4**	25.0
Outsourcing fees paid to Brookfield	**0.9**	—	**1.8**	0.5
Outsourcing arrangements payable	**0.5**	—	**0.8**	0.2

b) Other related party transactions

On March 10, 2020, Brookfield Annuity Corporation ("BAC") entered into lease and building service arrangements with Brookfield Properties (Canada) Inc. and BPO Ontario Properties Ltd. (collectively, "BPO"), subsidiaries of Brookfield. The amount paid to BPO for the leased office facilities and building maintenance for the nine months ended September 30, 2023 totaled $0.5 million (September 30, 2022 – $0.5 million). As at September 30, 2023, lease liabilities relating to this arrangement were $1 million (September 30, 2022 – $1.5 million).

In the current period, the Company purchased related party investments of $3.0 billion, of which $1.6 billion relates to an investment associated with a Brookfield real estate private fund. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

The Company had $430 million of cash on deposit with wholly-owned subsidiaries of Brookfield as at September 30, 2023 (September 30, 2022 – $40 million).

NOTE 26. SEGMENT REPORTING

The Company's operations are organized into three operating segments: Direct Insurance, Reinsurance and PRT. These segments are regularly reviewed by the Company’s chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and to assess its performance.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings (“Distributable Operating Earnings”, or “DOE”).

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and the Company’s share of adjusted earnings from investments in certain associates. DOE allows the CODM to evaluate the Company’s segments on the basis of return on invested capital generated by its operations and allows the Company to evaluate the performance of its segments.

The tables below provide each segment’s results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE THREE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 741	$ —	$ 278	**$ 1,019**
Other net investment income, including funds withheld	395	109	55	**559**
Segment revenues	1,136	109	333	**1,578**
Policyholder benefits, net	(542)	5	(316)	**(853)**
Other insurance and reinsurance expenses	(282)	(52)	—	**(334)**
Operating expenses excluding transactions costs	(134)	(9)	(5)	**(148)**
Interest expense	(27)	(6)	—	**(33)**
Current income tax (expense) recovery	(19)	—	(3)	**(22)**
Segment DOE	**$ 132**	**$ 47**	**$ 9**	**188**
Depreciation expense				**(23)**
Deferred income tax expense				**31**
Transaction costs				**(7)**
Net investments gains and losses, including funds withheld				**(94)**
Unrealized mark to market within insurance contracts				**—**
Other corporate activities				**(18)**
Net Income				**$ 77**

FOR THE THREE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	Total
Net premiums and other policy related revenues	$ 729	$ —	$ 328	$ 1,057
Other net investment income, including funds withheld	271	$ 71	28	370
Segment revenues	1,000	71	356	1,427
Policyholder benefit, net	(452)	—	(347)	(799)
Other insurance and reinsurance expenses	(184)	(47)	—	(231)
Operating expenses excluding transactions costs	(142)	(3)	(3)	(148)
Interest expense	(18)	(5)	—	(23)
Current income tax expense	(32)	—	—	(32)
Segment DOE	$ 172	$ 16	$ 6	194
Depreciation expense				(5)
Deferred income tax expense				(10)
Transaction costs				(2)
Net investments gains and losses, including funds withheld				(133)
Unrealized mark to market within insurance contracts				119
Other corporate activities, net				(24)
Net Income				$ 139

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 2,172	$ —	$ 946	**$ 3,118**
Other net investment income, including funds withheld	1,159	278	147	**1,584**
Segment revenues	3,331	278	1,093	**4,702**
Policyholder benefit, net	(1,638)	5	(1,040)	**(2,673)**
Other insurance and reinsurance expenses	(758)	(165)	(5)	**(928)**
Operating expenses excluding transactions costs	(436)	(16)	(15)	**(467)**
Interest expense	(74)	(7)	—	**(81)**
Current income tax expense	(33)	—	(3)	**(36)**
Segment DOE	**$ 392**	**$ 95**	**$ 30**	**517**
Depreciation expense				**(33)**
Deferred income tax expense				**33**
Transaction costs				**(16)**
Net investments gains and losses, including funds withheld				**52**
Unrealized mark to market within insurance contracts				**(147)**
Other corporate activities, net				**(62)**
Net Income				**$ 344**

FOR THE NINE MONTHS ENDED SEP. 30 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	Total
Net premiums and other policy related revenues	$ 952	$ —	$ 1,447	$ 2,399
Other net investment income, including funds withheld	372	165	86	623
Segment revenues	1,324	165	1,533	3,022
Benefits paid on insurance contracts, net	—	—	—	—
Policyholder benefits, net	(622)	—	(1,512)	(2,134)
Other insurance and reinsurance expenses	(246)	(113)	—	(359)
Changes in deferred acquisition costs	—	—	—	—
Operating expenses excluding transactions costs	(186)	(10)	(9)	(205)
Interest expense	(23)	(16)	—	(39)
Current income tax expense	(31)	—	—	(31)
Segment DOE	$ 216	$ 26	$ 12	254
Depreciation expense				(8)
Deferred income tax expense				(21)
Transaction cost				(26)
Net investment gains and losses, including funds withheld				(26)
Unrealized mark-to-market within insurance contracts				178
Other corporate activities, net				(31)
Net income				$ 320

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers. All existing reinsurance contracts are with U.S.-based insurance companies. Total premium revenues recorded within our Reinsurance segment for the nine months ended September 30, 2023 were from transactions with two U.S. ceding companies.

Total premium revenues recorded within our PRT segment for the nine months ended September 30, 2023, and 2022 were from Canadian and U.S. counterparties.

Total premium revenues recorded within our Direct Insurance segment for the nine months ended September 30, 2023 were from transactions with U.S. retail customers.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT SEP. 30, 2023 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 11,605	$ 4,174	$ 34,190	$ 1,208	**$ 51,177**
Liabilities	9,868	3,945	28,771	1,787	**44,371**
Equity and other	1,737	229	5,419	(579)	**6,806**

AS AT DEC. 31, 2022 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 9,316	$ 3,420	$ 29,541	$ 1,181	**$ 43,458**
Liabilities	7,644	3,216	25,786	2,547	**39,193**
Equity and other	1,672	204	3,755	(1,366)	**4,265**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

NOTE 27. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2023, subsidiaries of the Company had investment commitment agreements with third parties to the maximum of approximately $12.6 billion exclusive of taxes and other operating expenses (December 31, 2022 – $5.4 billion). As at September 30, 2023, the total unfunded commitment amounts were $5.6 billion.

The Company's subsidiary had aggregate commitments at September 30, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.7 billion of which $701 million is expected to be funded in 2023, with the remaining balance of $1.0 billion funded in 2024 and beyond.

In addition, the Company's subsidiary had revolving commitments of $113 million expected to be funded during 2023 and 2024, and outstanding letters of credit in the amount of $479 million as of September 30, 2023.

Federal Home Loan Bank (FHLB) Agreements

The Company has access to the FHLB's financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of September 30, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $9 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of September 30, 2023, the collateral provided borrowing capacity of approximately $657 million. The deposited securities and commercial mortgage loans are included in the Company's statements of financial position within available-for-sale fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on the Company's statements of financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the lowest amount of the range.

NOTE 28. SUBSEQUENT EVENTS

On October 11, 2023, the Company announced that it has commenced its exchange offer (the “Offer”) whereby holders of Class A Limited Voting Shares (“BN Shares”) of Brookfield Corporation have the opportunity to voluntarily exchange up to 40,000,000 BN Shares for newly-issued Brookfield Reinsurance Shares on a one-for-one basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management's discussion and analysis ("MD&A") covers the financial position as of September 30, 2023 and December 31, 2022 and the results of operations for the three and nine months ended September 30, 2023, and 2022. Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "Company" means Brookfield Reinsurance Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Corporation, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Forward-Looking Information".

The information in this MD&A should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements ("the financial statements") as of September 30, 2023 and for the three and nine months ended September 30, 2023, and 2022 and the annual audited financial statements for the year ended December 31, 2022 that were filed on Form 6K with the SEC on June 28, 2023. Interim operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the entire year.

Overview of Our Business

Our Company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020. The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the Company's interest in its operating subsidiaries North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC") and American National Group, LLC. ("American National").

Our Company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our Company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. Our business is presently conducted through our subsidiaries under three operating segments, which we refer to as our Direct Insurance, Reinsurance, and Pension Risk Transfer ("PRT") businesses. The principal operating entities of the Company generally maintain their own independent management and infrastructure. Refer to the "Lines of Business" section of the MD&A for further details on our operating segments' business.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective. There was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The following financial data is derived from our financial statements that are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Non-GAAP measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Key Financial Data

The following table presents key financial data of the Company:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended **2023**	 2022	Nine Months Ended **2023**	 2022
Total assets	**$ 51,177**	$ 41,068	**$ 51,177**	$ 41,068
Net income	**77**	139	**344**	320
Adjusted equity[1]	**7,251**	4,633	**7,251**	4,633
Distributable Operating Earnings[1,2]	**182**	159	**487**	218

1. Distributable operating earnings and adjusted equity are Non-GAAP measures. See "Reconciliation of Non-GAAP Measures".
2. Distributable operating earnings for the three and nine months ended September 30, 2023 is inclusive of net costs of $6 million and $59 million relating to corporate activities outside of our three operating segments, respectively (2022 – $35 million and $36 million, respectively).

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Net premiums	**$ 913**	$ 962	**$ 2,812**	$ 2,272
Other policy revenue	**106**	96	**306**	127
Net investment income	**442**	394	**1,282**	645
Investment related gains (losses), net	**(82)**	(218)	**104**	(325)
Net investment results from funds withheld	**71**	142	**189**	215
Total revenues	**1,450**	1,376	**4,693**	2,934
Policyholder benefits and claims incurred	**(870)**	(849)	**(2,745)**	(2,102)
Interest sensitive contract benefits	**(290)**	(114)	**(847)**	(150)
Commissions for acquiring and servicing policies	**(198)**	(184)	**(591)**	(246)
Net change in deferred policy acquisition costs	**316**	149	**678**	187
Change in fair value of market risk benefit	**(35)**	45	**(27)**	112
Other reinsurance expenses	**(54)**	(45)	**(91)**	(59)
Operating expenses	**(191)**	(169)	**(553)**	(261)
Interest expense	**(61)**	(37)	**(181)**	(60)
Total benefits and expenses	**(1,383)**	(1,204)	**(4,357)**	(2,579)
Net income before income taxes	**67**	172	**336**	355
Income tax recovery (expense)	**10**	(33)	**8**	(35)
Net income for the period	**$ 77**	$ 139	**$ 344**	$ 320

Three Months Ended September 30, 2023 vs. 2022

For the three months ended September 30, 2023, we reported net income of $77 million, compared to net income of $139 million in the prior year quarter primarily due to higher investment income more than offset by changes in policyholder benefits and claims incurred, and higher interest sensitive contract benefits.

During the quarter, we originated over $2 billion of new gross policies, which include new policies that are not considered premium revenues for the purposes of GAAP. Net premiums were $913 million in the quarter, decreasing moderately compared to prior year quarter, as contributions from our acquisition of American National were offset by lower PRT premiums compared to the prior year quarter.

Net investment income was $442 million in the quarter, compared to $394 million in the prior year quarter, driven by increased spread earnings from growth in our investment portfolio and capital redeployed into higher yielding assets, particularly from available-for-sale fixed maturity securities and investment funds.

The Company had a net investment related loss of $82 million in the quarter, compared to a loss of $218 million in the prior year quarter, mainly driven by lower unrealized mark-to-market losses on equity securities of $54 million in the current quarter, compared to $123 million in the prior year quarter. The current year quarter also had lower losses by $40 million on short-term investments and other invested assets, primarily due to a positive mark-to-market valuation on derivatives.

Net investment results from funds withheld was $71 million in the quarter, compared to $142 million in the prior year quarter. This decline is primarily driven by lower mark-to-market gains on the embedded derivatives within our modified coinsurance ("modco") reinsurance treaties as a result of changes in actuarial assumptions.

Interest sensitive contract benefits represent interest credited to policyholders' account balances from our investment contracts with customers. During the quarter, interest sensitive contract benefits increased by $176 million primarily driven by new businesses entered in the quarter, as well as higher market rates, partially offset by amortization of deferred revenue. Increase in interest sensitive contract benefits related to new investment contracts has an offsetting impact to the net changes in deferred acquisition costs, which resulted in a change of $167 million in the period.

Commissions for acquiring and servicing policies represent sales commission payments or incremental costs of obtaining the contract that are amortized over the contract term subsequent to the initial capitalization, which increased by $14 million, mainly as a result of the increase in reserves since the prior year quarter.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on protection to the policyholder from capital market risk. The loss of $35 million in the current quarter is primarily due to the change in interest rates used in the valuation of these liabilities.

Operating expenses were $191 million in the current quarter compared to $169 million in the prior year quarter, mainly as a result of continued growth of the business with higher additional personnel, professional services and transaction expenses.

The increase of $24 million of interest expense on borrowings in the current quarter due to higher interest rates and borrowings on our warehoused investments credit facility.

Compared to the prior year quarter, Distributable Operating Earnings increased by $23 million to $182 million. The increase was driven by higher net investment income given the significant progress made over the last twelve months repositioning assets into higher yielding investment strategies, as well as an overall growth in our investment portfolio.

Nine Months Ended September 30, 2023 vs. 2022

For the nine months ended September 30, 2023, we reported net income of $344 million, compared to net income of $320 million in the prior year period primarily due to growth in the business, redeployment of capital into higher yielding investments and unrealized mark-to-market gains on investments and derivatives.

Net premiums were $2.8 billion for the nine months ended, compared to $2.3 billion in the same period in 2022, primarily due to higher sales and continued growth in the overall business.

Net investment income increased by $637 million for the nine months ended September 30, 2023, relative to the same period in 2022, driven by the growth in our investment portfolio and capital redeployed into higher yielding assets, particularly from our available-for-sale fixed maturity securities and mortgage loans which generated $626 million and $229 million in the current period, respectively, compared to $287 million and $120 million, respectively, in the prior period.

Investment related gains (losses), net was a gain of $104 million in the first nine months of 2023, compared to a loss of $325 million in the prior year period, mainly due to unrealized mark-to-market movements on our equity securities of $87 million gain in the current period compared to a loss of $148 million in the prior period, as well as $112 million gain in the current period compared to $23 million loss in the prior year period from short-term investments and other invested assets.

Net investment results from funds withheld decreased by $26 million in the current year period compared to the same period in 2022. This decline is primarily driven by lower mark-to-market gains on the embedded derivative in our modco reinsurance treaties as a result of changes in actuarial assumptions.

During the period, interest sensitive contract benefits and commissions for acquiring and servicing policies increased by $697 million and $345 million, respectively. The increases are driven by higher sales and an increase in policyholders' account balances, partly as a result of the growth in the business and the acquisition of American National in May 2022, which accounted for $431 million (2022 - $32 million) and $591 million (2022 - $245 million) of the total $847 million interest sensitive contract benefits and $591 million commissions for acquiring and servicing policies, respectively in the current period.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on protection to the policyholder from capital market risk. The loss of $27 million in the period is primarily due to movements in interest rates used in the valuation of these liabilities.

Operating expenses were $553 million in the first nine months of 2023, compared to $261 million in the prior year period, mainly as a result of the acquisition of American National, as well as additional personnel and professional services expenses related to the growth of our business.

The increase of $121 million of interest expense on borrowings from prior year is primarily due to increased interest on subsidiary borrowings related to the acquisition of American National in May 2022.

During the period, Distributable Operating Earnings increased by $269 million to $487 million. The increase was primarily due to contributions from American National for the full nine month period in 2023, since the acquisition, and higher net investment income on our investments. DOE also benefited from new business and spread earnings within our PRT and Reinsurance businesses as we made progress redeploying the investments within the portfolios.

CONSOLIDATED FINANCIAL POSITION

Comparison as at September 30, 2023 and December 31, 2022

The following table summarizes the financial position as at September 30, 2023 and December 31, 2022:

AS AT US$ MILLIONS, EXCEPT SHARE DATA	2023	2022
Assets		
Investments	**$ 34,264**	$ 30,295
Investments - reinsurance funds withheld	**5,056**	5,069
Cash and cash equivalents	**3,448**	2,145
Cash and cash equivalents - reinsurance funds withheld	**2,120**	743
Accrued investment income	**352**	341
Deferred policy acquisition costs	**2,302**	1,585
Premiums due and other receivables	**501**	436
Deferred tax asset	**494**	490
Reinsurance recoverables, net	**456**	589
Property and equipment, net of accumulated depreciation	**164**	194
Other assets	**548**	405
Assets held-for-sale	**261**	—
Goodwill	**121**	121
Separate account assets	**1,090**	1,045
Total assets	**51,177**	43,458
Future policy benefits	**8,577**	8,011
Policyholders' account balances	**24,862**	20,141
Policy and contract claims	**1,704**	1,786
Deposit liabilities	**1,612**	1,657
Market risk benefit	**184**	124
Unearned premium reserve	**1,161**	1,086
Due to related parties	**634**	241
Other policyholder funds	**323**	322
Notes payable	**170**	151
Corporate borrowings	**1,243**	2,160
Subsidiary borrowings	**1,494**	1,492
Liabilities issued to reinsurance entities	**172**	151
Liabilities held-for-sale	**245**	—
Other liabilities	**900**	826
Separate account liabilities	**1,090**	1,045
Total liabilities	**44,371**	39,193
Redeemable junior preferred shares	**2,663**	2,580
Equity		
Class A exchangeable, Class B, and Class C shares	**4,055**	1,890
Retained earnings	**525**	310
Accumulated other comprehensive loss, net of taxes	**(445)**	(523)
Non-controlling interests	**8**	8
Total equity	**4,143**	1,685
Total liabilities, mezzanine equity, and equity	**$ 51,177**	$ 43,458

September 30, 2023 vs. December 31, 2022

Total assets increased by $7.7 billion during the period to $51.2 billion.

Cash and cash equivalent increased by $1.3 billion during the period. For further information, refer to "Liquidity and Capital Resources" section of the MD&A and our Consolidated Statements of Cash Flows.

Total investments increased by $4.0 billion over the period, primarily as a result of $2.1 billion of real estate and other assets contributed from Brookfield Corporation in exchange for Class C shares in the current quarter, as well as the deployment of new premiums received in the year, partially offset by unrealized losses from available-for-sale securities due to higher interest rates in the year.

Deferred acquisition costs are capitalized costs that are directly related to writing new policyholder contracts. During the period, the balance increased by $717 million mainly as a result of new insurance contracts entered with policyholders which contributed to an increase of $1.2 billion, partially offset by amortization of $450 million.

Reinsurance funds withheld increased by $1.4 billion over the period, primarily as a result of flow premiums received in the current period, partially offset by an increase in commissions payable and other reinsurance expenses.

Reinsurance recoverables are estimated amounts due to the Company from reinsurers or cedants, related to paid and unpaid ceded claims and expenses, and are presented net of reserves for collectability. The amount decreased by $133 million in the period primarily as a result of a $186 million reclassified into assets held for sale.

Other assets were $548 million at the end of the quarter, compared to $405 million at year-end. The balance primarily includes intangible assets, prepaid reinsurance premiums, prepaid pension, and other miscellaneous receivables. The balance increased primarily due to investment and derivative settlements to be received as at September 30, 2023.

Separate account assets and liabilities both increased by $45 million since the year-end, mainly due to net realized gains of underlying assets of $78 million and $59 million of policyholder deposits, partially offset by $96 million of policyholder benefits and withdrawals.

Future policy benefits and policyholder account balances increased by $5.3 billion during the period mainly driven by new premiums and interest sensitive contract benefits as the business continues to expand.

Corporate and subsidiary borrowings decreased by $915 million during the period, primarily as a result of the $500 million repayment of the Company's 364-day secured facility and $450 million repayment on the revolving credit facility in the second and third quarters of the year, respectively.

In the prior year, we issued junior preferred shares to Brookfield which are redeemable by the Company at any time at the issuance price plus accumulated and unpaid dividends.

Lines of Business

Direct Insurance

American National became the platform for our Direct insurance line, providing insurance in the following businesses: direct origination of life, annuity, and property and casualty.

Life Insurance

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Universal Life. Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates during the contract period, subject to policy specific minimums. An equity-indexed universal life product is credited with interest using a return that is based, in part, on changes in an index, such as the Standard & Poor's 500 Index ("S&P 500"), subject to a specified minimum.

Variable Universal Life. Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the securities selected by the policyholder held in the separate account.

Credit Life Insurance. Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay the lender the borrower's remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuities

Deferred Annuities. A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value. An equity-indexed deferred annuity is credited with interest using a return that is based, in part, on changes in an index, such as the S&P 500, subject to a specified minimum.

Single Premium Immediate Annuity ("SPIA"). A SPIA is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant's life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuities. With a variable annuity, the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits. This product accounts for less than 1% of our annuity business.

Property and Casualty

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners, and other similar exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner's property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles, and umbrella protection coverage.

Commercial Lines. Commercial lines are primarily focused on providing insurance to agricultural related operations and small to midsize businesses. This includes property and casualty coverage tailored for a farm, ranch, or other agricultural-related businesses. Commercial auto insurance is typically issued in conjunction with the sale of our policies covering farms, ranches, and businesses and covers specific risks involved in owning and operating motor vehicles. Business owners' property and liability insurance, workers' compensation insurance, and other commercial insurance encompassing umbrella protection coverage and other liability coverages, are also offered.

Specialty Markets. Specialty Markets products include renters, mortgage security, aviation, private flood, and credit insurance. Credit insurance provides protection to borrowers and the creditors that extend credit to them against unpaid indebtedness as a result of death, disability, involuntary unemployment, or untimely loss to the collateral securing a personal or mortgage loan.

- *Collateral* or *Creditor Protection Insurance* ("CPI"). CPI provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor's interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.
- *Guaranteed Auto Protection* or *Guaranteed Asset Protection* ("GAP"). GAP insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

Reinsurance

Within our Reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our Reinsurance business through licensed operating companies, North End Re (Cayman) SPC (“NER SPC”) and North End Re Ltd (“NER Ltd.”). As of the date of this MD&A, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure a block of U.S. annuities and fixed indexed annuities.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated in Canada and the United States. Our Canadian PRT business is operated through Brookfield Annuity Company (“BAC”), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. Under American National, we also operate a U.S. PRT business, which became licensed during 2022 and successfully completed its first PRT transaction in December 2022. Our North American PRT businesses are led by a team of experts in group annuities, pensions, insurance and investments.

SEGMENT REVIEW

The Company's operations are organized into three operating segments: Direct Insurance, Reinsurance, and PRT.

We measure operating performance primarily using DOE which measures our ability to acquire net insurance assets at a positive margin, and invest these assets at a return that is greater than the cost of policyholder liabilities.

Direct Insurance

The following table presents Distributable Operating Earnings of our Direct Insurance segment for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
DOE	**$ 132**	$ 172	**$ 392**	$ 216

Comparison of the three and nine months ended September 30, 2023 and 2022

DOE within our Direct Insurance business represents contribution from our direct origination annuity, life, and P&C businesses operated by American National that the Company acquired in May 2022, as well as the health business that has been held-for-sale since the second quarter of 2023.

DOE from our life and annuity business increased by $21 million compared to the prior year quarter due to increased investment income in the current market environment. The increase was more than offset by the absence of one-time realizations from our real estate portfolio in the segment in the prior year quarter. For the nine months ended September 30, 2023, DOE increased by $176 million, mostly due to the full nine months contribution from the business in the current year.

DOE related to our Direct Insurance business also includes financing costs associated with subsidiary borrowings and corporate overhead directly related to the segment.

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
DOE	**$ 47**	$ 16	**$ 95**	$ 26

Comparison of the three and nine months ended September 30, 2023 and 2022

DOE within our Reinsurance business increased to $47 million and $95 million in three and nine months ended September 30, 2023, respectively, primarily as a result of increase in interest income due to higher interest rates and deployment of capital. During the quarter, we recorded $763 million of flow premiums on our reinsurance treaty with AEL, bringing total premiums reinsured under the treaty to approximately $7.5 billion to-date.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended 2023	Three Months Ended 2022	Nine Months Ended 2023	Nine Months Ended 2022
DOE	**$ 9**	$ 6	**$ 30**	$ 12

Comparison of the three and nine months ended September 30, 2023 and 2022

During the quarter, the Company closed 9 PRT deals in the Canadian market (2022 – 6 deals) and 7 PRT deals in the US market (2022 – nil), representing $278 million (2022 – $328 million) of premiums. The increase in DOE from the prior year was primarily a result of higher investment income due to new businesses over the last twelve months as well as redeployment of assets into higher yielding investments.

Liquidity and Capital Resources

CAPITAL RESOURCES

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, and access to the Company's third-party credit facilities, and our credit facility and equity commitment with Brookfield. We proactively manage our liquidity position to meet liquidity needs and continue to develop relationships with lenders who provide borrowing capacity at competitive rates, while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our corporate liquidity for the periods noted below consisted of the following:

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	2023	2022
Cash and cash equivalents	**$ 451**	$ 784
Liquid financial assets	**237**	241
Undrawn credit facilities	**934**	544
Total Corporate liquidity[1]	**$ 1,622**	$ 1,569

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. In June 2021, Brookfield provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of Class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three-year revolving $400 million credit facility in addition to our $550 million revolving credit facilities with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation will be a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to invest in a rising rate environment and secure attractive investment opportunities. In addition to a portfolio of highly liquid financial assets, our operating companies have additional access to liquidity from sources such as the Federal Home Loan Bank ("FHLB") within our direct insurance business and short-term repurchase agreements within our PRT business to manage market exposure between the timing of transaction agreements being entered into and the receipt of assets. As at September 30, 2023, the Company had drawn $43 million of a total $878 million of commitments available relating to these programs.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at September 30, 2023, the Company's total liquidity was $23.4 billion, of which cash and cash equivalents included $451 million of unrestricted cash resources that can be deployed to fund corporate activities as needed.

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS		**2023**		2022
Cash and cash equivalents	**$**	**3,448**	$	2,145
Liquid financial assets		**18,972**		17,769
Undrawn credit facilities		**934**		544
Total liquidity[1]	**$**	**23,354**	$	20,458

1. See "Performance Measures used by Management".

Comparison of the three and nine months ended September 30, 2023 and 2022

The following table presents a summary of our cash flows and ending cash balances for the nine months ended September 30, 2023 and 2022:

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS		**2023**		2022
Operating activities	**$**	**954**	$	683
Investing activities		**(1,776)**		(3,452)
Financing activities		**2,125**		5,534
Cash and cash equivalents				
Cash and cash equivalents, beginning of the period		**2,145**		393
Net change during the period		**1,303**		2,765
Foreign exchange on cash balances held in foreign currencies		**—**		(5)
Cash and cash equivalents, end of the period	**$**	**3,448**	$	3,153

Operating Activities

For the nine months ended September 30, 2023, we generated $954 million of cash from operating activities compared to $683 million during 2022, mainly driven by higher interest and dividend income received from our investment portfolios in the current period, in particular from available-for-sale securities, mortgage loans, private loans and short-term investments, as well as from premiums written from new flow reinsurance and PRT transactions.

Investing Activities

For the nine months ended September 30, 2023, we reinvested liquid short-term and fixed maturity investments that matured during the period and we deployed approximately $$4.0 billion into new higher-yielding investments within our insurance operating subsidiaries' portfolios. These investments were primarily funded by new premiums and the sales and maturities of liquid securities. The purchase and sales, net of maturities, resulted in net deployment of $1.8 billion of cash from investing activities, compared to net deployment of $3.5 billion in the prior year period.

Financing Activities

For the nine months ended September 30, 2023, we received $2.1 billion of cash from financing activities, compared to $5.5 billion received in the same period in 2022. The proceeds in the current year period were mainly as a result of $2.6 billion net payments received on policyholders' account deposits, partially offset by the net repayment of $920 million on our borrowings.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the Company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As at September 30, 2023, our common equity was $4.1 billion and our adjusted equity was $7.3 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. Refer to discussion on Non-GAAP Measures.

Included in equity and adjusted equity was approximately $207 million invested in Canadian dollars. As at September 30, 2023, we had a notional $2.4 billion (December 31, 2022 – $2.8 billion) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 9, "Derivative Instruments" of the financial statements.

Future Capital Obligations and Requirements

Subsidiaries of the Company have investment commitment agreements to the maximum of $12.6 billion exclusive of taxes and other operating expenses (December 31, 2022 – $5.4 billion). As at September 30, 2023, $7.0 billion was funded (December 31, 2022 – $2.6 billion). The amounts are recognized as loans and receivables, unrated bonds and private equity investments.

For additional information, see Note 27, "Financial commitments and contingencies" of the financial statements.

The following is the maturity by year on corporate borrowings and subsidiary borrowings:

	Payments due by year				
AS AT SEP. 30 2023 US$ MILLIONS	**Total**	Less than 1 year	1- 3 years	4 - 5 years	More than 5 years
Corporate borrowings	**$ 1,243**	$ 1,227	$ —	$ 16	$ —
Subsidiary borrowings	**1,494**	—	—	997	497

Capital management

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company's risk appetite and Own Risk and Solvency Assessment ("ORSA"). Furthermore, stress techniques that include the Financial Conditions Testing ("FCT") are used to evaluate the Company's capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test ("LICAT") as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC and American National are required to follow Risk Based Capital ("RBC") requirements based on guidelines of the National Association of Insurance Commissioners ("NAIC"). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority ("BMA"). The Enhanced Capital Requirement ("ECR") is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The Company has determined that it is in compliance with all capital requirements as at September 30, 2023 and December 31, 2022.

Brookfield Operating Results

An investment in the Class A exchangeable shares of the Company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield's three and nine months ended September 30, 2023 operating results is provided below:

FOR THE PERIOD ENDED SEP. 30 US$ MILLIONS	Three months ended **2023**	 2022	Nine months ended **2023**	 2022
Revenues	**$ 24,441**	$ 23,418	**$ 71,406**	$ 68,556
Net income	**35**	716	**1,971**	5,151

Each Class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the Class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield in its continuous disclosure filings. Copies of the Brookfield's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Industry Trends and Factors Affecting Our Performance

As a financial services business providing capital based solutions to the insurance industry, we are affected by numerous factors, including global economic and financial market conditions. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business. We also monitor factors such as consumer spending, business investment, the volatility of capital markets, interest rates, unemployment and the risk of inflation or deflation, which affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products offered by our business. We believe the following current trends present significant opportunities for us to grow our business.

- **Financial market volatility and dislocations across asset classes favor insurers with diverse investment portfolios and access to alternative credit.** Insurers primarily invest in public market fixed income products and are exposed to public market valuations. Insurers with an ability to diversify investment portfolios to include alternative and private credit assets provide more favorable investment performance.
- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.
- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.
- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our statements of financial position within our financial statements include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The Company's obligations under its insurance contracts are denominated in Canadian and United States dollars but a portion of the assets supporting these liabilities are denominated in non-Canadian and non-United States dollars. We manage foreign exchange risk using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently increased in many jurisdictions in which we operate in 2023 but remain at relatively low levels by historical standards. The Company's asset liability management practices and interest rate risk management allows the Company to mitigate the impact of interest rate volatility on the business. However, sudden or unexpected changes in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

The Company manages interest rate risk through their asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The Company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The Company mitigates the equity risk by diversification of the investment portfolio.

The Company also has equity risk associated with the equity-indexed life and annuity products the Company issues. The Company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

Credit Risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The Company is primarily exposed to credit risk through its investments in debt securities.

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The Company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block’s acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

In the future we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our financial statements.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company’s internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

We have significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board of Directors.

Disaster recovery and business continuity plans have also been established to manage the Company’s ability to operate under adverse conditions.

Critical Accounting Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Refer to Critical Accounting Estimates in the financial statements for the year ended December 31, 2022 filed with the SEC on June 28, 2023.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-GAAP measures, including DOE and Adjusted Equity. In addition, we provide certain metrics such as Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the "Segment Review" section of this MD&A for further discussion on our performance measures for the three and nine months ended September 30, 2023 and 2022.

Non-GAAP Measures

We regularly monitor certain Non-GAAP measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-GAAP financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with GAAP. These Non-GAAP measures are not comparable to GAAP and may not be comparable to similarly described Non-GAAP measures reported by other companies, including those within our industry. Consequently, our Non-GAAP measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable GAAP measure in our consolidated financial statements for the years presented. The Non-GAAP financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

Distributable Operating Earnings ("DOE")

We use DOE to assess operating results and the performance of our businesses. We define distributable operating earnings as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and our share of adjusted earnings from our investments in certain associates.

DOE is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by GAAP. DOE is therefore unlikely to be comparable to similar measures presented by other issuers.

We believe our presentation of DOE is useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of DOE also provide investors enhanced comparability of our ongoing performance across years.

Adjusted Equity

Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. We use Adjusted Equity to assess our return on our equity.

The followings contain further details regarding our use of our Non-GAAP measures, as well as a reconciliation of net income and total equity to these measures:

Reconciliation of Non-GAAP Measures

The following table reconciles our net income to Distributable Operating Earnings:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended 2023	Three Months Ended 2022	Nine Months Ended 2023	Nine Months Ended 2022
Net income	**$ 77**	$ 139	**$ 344**	$ 320
Net investment gains and losses, including funds withheld	**94**	133	**(74)**	225
Mark-to-market on insurance contracts and other net assets	**29**	(123)	**218**	(375)
Deferred income tax (recovery) expense	**(31)**	3	**(33)**	14
Transaction costs	**7**	2	**16**	26
Depreciation	**6**	5	**16**	8
Distributable Operating Earnings	**$ 182**	$ 159	**$ 487**	$ 218

The following table reconciles our equity to Adjusted Equity:

AS AT SEP. 30 US$ MILLIONS	2023	2022
Total equity	**$ 4,143**	$ 1,082
Add:		
Accumulated other comprehensive loss (income)	**445**	1,054
Junior preferred shares	**2,663**	2,497
Adjusted Equity	**$ 7,251**	$ 4,633

Forward-Looking Information

In addition to historical information, this MD&A contains “forward-looking information” within the meaning of applicable securities laws. Forward-looking information may relate to the Company and Brookfield’s outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the Company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the Company, Brookfield's or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “will be taken”, “occur” or “be achieved”.

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

The following factors, among others, could cause our actual results to vary from our forward-looking statements:

We caution that the factors that may affect future results described in this MD&A are not exhaustive. The forward-looking statements represent our views as of the date of this MD&A and should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our most recent Annual Report on Form 20-F and other risks and factors that are described therein.

Brookfield Reinsurance Ltd.

bnre.brookfield.com

NYSE: BNRE
TSX: BNRE

Exhibit 11e

Partners BK Ltd - Unaudited FS 2022 & 2021

CONFIDENTIAL

Exhibit 11f

BAM Re Trustee - Unaudited FS 2022 & 2021

CONFIDENTIAL

Exhibit 11g

BAM Re Class B Partnership - Unaudited FS 2022 & 2021

CONFIDENTIAL

EXHIBIT 11(h)

Audited Financial Statement of ANAT
for the Year Ended December 31, 2020

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Annual Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
American National Group, Inc.
Galveston, Texas

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statement of financial position of American National Group, Inc. and subsidiaries (the "Company") as of December 31, 2020, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year ended December 31, 2020, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by COSO.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, *Controls and Procedures*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Policyholders' Account Balances - Valuation of embedded derivative liabilities for equity-indexed contracts - Refer to Notes 7 and 9 to the financial statements

Critical Audit Matter Description

The Company sells equity-indexed universal life and equity-indexed deferred annuity contracts with guaranteed minimum benefits, some of which contain embedded derivatives that are required to be bifurcated from a host reserve, separately accounted for, and measured at fair value. The embedded derivative represents future benefit cash flows in excess of the minimum guarantee cash flows. As of December 31, 2020, the fair value of the embedded derivative liabilities was $705 million. Management utilizes various assumptions in order to measure the fair value of the embedded derivatives including assumptions related to lapse rate and equity volatility. These assumptions are evaluated annually by management with any changes in the estimated fair value resulting in a cumulative charge or credit to income from operations.

Given the valuation of the embedded derivative liabilities is sensitive to changes in these assumptions, the related audit effort in evaluating management's selection of the assumptions related to the lapse rate and equity volatility required a high degree of auditor judgment and an increased extent of effort, including involvement of our actuarial and fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the lapse rate and equity volatility assumptions selected by management for the valuation of embedded derivative liabilities included the following, among others:

•We tested the effectiveness of management's controls over the valuation of embedded derivative liabilities, including those over the development, selection, and implementation of the assumptions related to lapse rate and equity volatility.

•With the assistance of our fair value specialists, we tested the completeness and accuracy of the underlying data used to determine the equity volatility assumptions.

•We tested the completeness and accuracy of the historical company experience used to determine the lapse rate assumptions.

•With the assistance of our actuarial specialists, we evaluated the appropriateness of the assumptions, evaluated the consistency of the selected assumptions used in the Company's valuation model, and tested the mathematical accuracy of the valuation model.

Policy and Contract Claims - Property and casualty liability for unpaid claims and claim adjustment expenses - Refer to Notes 2 and 12 to the financial statements

Critical Audit Matter Description

The Company establishes a liability for unpaid claims and claim adjustment expenses to provide for the estimated costs of paying claims under property and casualty insurance policies written by the Company. The property and casualty liability for unpaid claims is included within Policy and Contract Claims in the statements of financial position, which had a balance of $1.6 billion as of December 31, 2020. This liability, which includes estimates for both claims that have been reported and claims that have been incurred but not reported, represents the estimate of all claim and claim adjustment expenses associated with processing and settling the claims. The liability for unpaid claims is estimated using actuarial assumptions for loss development patterns that are based upon the Company's historical experience and consider the effects of current developments, anticipated trends and risk management programs.

Given the subjectivity of estimating the ultimate cost to settle the liability for property and casualty insurance reported and incurred but not reported claims, the related audit effort in evaluating the assumptions for loss development patterns required a high degree of auditor judgment and an increased extent of effort, including involvement of our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the assumptions for loss development patterns selected by management to estimate the property and casualty liability for unpaid claims and claim adjustment expenses included the following, among others:

•We tested the effectiveness of management's controls over the property and casualty liability for unpaid claims and claim adjustment expenses, including those over the development, selection, and implementation of the assumptions for loss development patterns used in the actuarial estimates.

•With the assistance of our actuarial specialists, we tested the completeness and accuracy of the underlying data, including historical claims, used to determine the assumptions for loss development patterns, evaluated the appropriateness of the assumptions, evaluated the consistency of the selected assumptions used in the Company's valuation model, and tested the mathematical accuracy of the valuation model.

•We evaluated the reasonableness of the Company's estimated property and casualty liability for unpaid losses and loss adjustment expenses by comparing to those independently derived by our actuarial specialists.

Mortgage Loans on Real Estate - Allowance for Credit Losses - Refer to Notes 2, 3, and 5 to the financial statements

Critical Audit Matter Description

The Company measures credit losses for instruments measured at amortized cost, including its portfolio of commercial mortgage loans. The allowance for credit losses for mortgage loans, which was recorded on a net basis within Mortgage Loans on Real Estate in the statements of financial position, had a balance of $126 million as of December 31, 2020. The value of the allowance for credit losses on mortgage loans is estimated by management using the current expected credit loss model, which considers quantitative and qualitative allowance factors based on past loss experience, current economic conditions, and reasonable and supportable forecasts of future conditions. The qualitative allowance factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment.

Given the subjectivity of estimating the qualitative allowance factors applied in developing the allowance for credit losses, performing audit procedures to evaluate whether the allowance for credit losses on mortgage loans was appropriately valued required a high degree of auditor judgment and an increased extent of effort, including involvement of our credit specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the assumptions surrounding qualitative allowance factors used by management to estimate the allowance for credit losses on mortgage loans included the following, among others:

•We tested the effectiveness of management's controls over the allowance for credit losses on mortgage loans, including those over the development, selection, and implementation of the assumptions related to the qualitative allowance factors.

•With the assistance of our credit specialists, we evaluated the appropriateness of the model methodology, which includes the application of the qualitative allowance factors. We also evaluated the appropriateness of these assumptions and the consistency of the selected assumptions used in the Company's valuation model.

•We evaluated management's qualitative allowance factors by comparing them to current market data to identify potential bias in the determination of the allowance for credit losses on mortgage loans.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
March 4, 2021

We have served as the Company's auditor since 2020.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
American National Group, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of American National Group, Inc. (formerly American National Insurance Company) and subsidiaries (the Company) as of December 31, 2019, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes and financial statement schedules I to IV (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2000 to 2020.

Houston, Texas
February 28, 2020

AMERICAN NATIONAL GROUP, INC.
(formerly AMERICAN NATIONAL INSURANCE COMPANY)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands, except share data)

	December 31,	
	2020	**2019**
ASSETS		
Fixed maturity, bonds held-to-maturity, at amortized cost, net of allowance for credit losses of $12,442 in 2020 (Fair value $7,983,181 in 2020 and $8,968,690 in 2019)	$ 7,354,970	$ 8,631,261
Fixed maturity, bonds available-for-sale, at fair value (Allowance for credit losses of $7,482 in 2020) (Amortized cost $7,073,142 in 2020 and $6,435,670 in 2019)	7,597,180	6,725,085
Equity securities, at fair value (Cost $754,625 in 2020 and $663,058 in 2019)	2,070,766	1,700,960
Mortgage loans on real estate, net of allowance for credit losses of $125,703 in 2020 and allowance for loan loss of $19,160 in 2019	5,242,531	5,097,017
Policy loans	373,014	379,657
Investment real estate, net of accumulated depreciation of $269,626 in 2020 and $256,757 in 2019	517,293	551,219
Short-term investments	1,028,379	425,321
Other invested assets	94,415	76,569
Total investments	**24,278,548**	**23,587,089**
Cash and cash equivalents	339,947	452,001
Investments in unconsolidated affiliates	920,414	705,721
Accrued investment income	216,389	200,856
Reinsurance recoverables, net of allowance for credit losses of $14,353 in 2020 and allowance for recoverable loss of $8,220 in 2019	414,359	411,830
Prepaid reinsurance premiums	42,804	44,669
Premiums due and other receivables	351,972	341,924
Deferred policy acquisition costs	1,360,211	1,423,007
Property and equipment, net of accumulated depreciation of $281,738 in 2020 and $257,907 in 2019	121,578	106,303
Prepaid pension	80,526	78,990
Other assets	155,600	171,285
Separate account assets	1,185,467	1,073,891
Total assets	**$ 29,467,815**	**$ 28,597,566**
LIABILITIES		
Future policy benefits		
Life	$ 3,149,067	$ 3,087,578
Annuity	1,617,774	1,571,263
Health	49,658	49,886
Policyholders' account balances	12,812,155	12,957,989
Policy and contract claims	1,575,288	1,489,979
Unearned premium reserve	956,343	933,559
Other policyholder funds	358,601	361,059
Liability for retirement benefits	70,254	67,435
Notes payable	153,703	157,997
Deferred tax liabilities, net	478,347	394,528
Current tax payable	10,372	9,757
Federal Home Loan Bank advance	250,000	-
Other liabilities	335,219	446,882
Separate account liabilities	1,185,467	1,073,891
Total liabilities	**23,002,248**	**22,601,803**
EQUITY		
American National Group, Inc. stockholders' equity:		
Common stock, $0.01 par value in 2020 and $1.00 in 2019; 50,000,000 shares authorized, 26,887,200 shares issued and outstanding in 2020 and 30,832,449 shares issued and 26,887,200 outstanding in 2019	269	30,832
Additional paid-in capital	47,683	21,011
Accumulated other comprehensive income	222,170	99,518
Retained earnings	6,188,148	5,946,857
Treasury stock, at cost	-	(108,469)
Total American National stockholders' equity	**6,458,270**	**5,989,749**
Noncontrolling interest	7,297	6,014
Total stockholders' equity	**6,465,567**	**5,995,763**
Total liabilities and stockholders' equity	**$ 29,467,815**	**$ 28,597,566**

See accompanying notes to the consolidated financial statements.

AMERICAN NATIONAL GROUP, INC.
(formerly AMERICAN NATIONAL INSURANCE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Years ended December 31,		
	2020	**2019**	**2018**
PREMIUMS AND OTHER REVENUES			
Premiums			
Life	$ 396,099	$ 359,419	$ 350,012
Annuity	92,866	147,139	231,027
Health	168,805	165,035	180,414
Property and casualty	1,560,304	1,511,201	1,466,740
Other policy revenues	310,746	305,256	285,549
Net investment income	933,685	1,077,406	858,367
Net realized investment gains	35,660	37,719	18,174
Other-than-temporary impairments	-	(6,968)	(1,243)
Change in investment credit loss	(102,603)	-	-
Net gains (losses) on equity securities	356,281	422,535	(107,188)
Other income	40,556	51,401	44,530
Total premiums and other revenues	**3,792,399**	**4,070,143**	**3,326,382**
BENEFITS, LOSSES AND EXPENSES			
Policyholder benefits			
Life	533,925	449,252	417,702
Annuity	214,158	218,576	290,611
Claims incurred			
Health	116,122	109,013	122,547
Property and casualty	1,005,620	1,042,153	1,049,112
Interest credited to policyholders' account balances	321,042	511,999	315,684
Commissions for acquiring and servicing policies	553,600	532,634	564,054
Other operating expenses	515,413	524,888	497,011
Change in deferred policy acquisition costs	(5,678)	(12,749)	(71,497)
Total benefits, losses and expenses	**3,254,202**	**3,375,766**	**3,185,224**
Income before federal income tax and other items	**538,197**	**694,377**	**141,158**
Less: Provision (benefit) for federal income taxes			
Current	57,697	87,032	24,044
Deferred	58,910	78,385	(22,599)
Total provision for federal income taxes	**116,607**	**165,417**	**1,445**
Income after federal income tax	**421,590**	**528,960**	**139,713**
Equity in earnings of unconsolidated affiliates	42,467	103,501	21,281
Other components of net periodic pension benefit (costs), net of tax	4,456	(684)	(572)
Net income	**468,513**	**631,777**	**160,422**
Less: Net income attributable to noncontrolling interest, net of tax	1,008	11,414	1,427
Net income attributable to American National	**$ 467,505**	**$ 620,363**	**$ 158,995**
Amounts available to American National common stockholders			
Earnings per share			
Basic	$ 17.39	$ 23.08	$ 5.91
Diluted	17.38	23.07	5.91
Weighted average common shares outstanding	26,878,679	26,882,691	26,886,357
Weighted average common shares outstanding and dilutive potential common shares	26,887,125	26,891,243	26,916,643

See accompanying notes to the consolidated financial statements.

AMERICAN NATIONAL GROUP, INC.
(formerly AMERICAN NATIONAL INSURANCE COMPANY)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Years ended December 31, 2020	Years ended December 31, 2019	Years ended December 31, 2018
Net income	**$ 468,513**	**$ 631,777**	**$ 160,422**
Other comprehensive income (loss), net of tax			
Change in net unrealized gains (losses) on securities	134,315	184,156	(136,261)
Foreign currency transaction and translation adjustments	235	390	(900)
Defined benefit pension plan adjustment	(11,898)	15,495	22,326
Total other comprehensive income (loss), net of tax	**122,652**	**200,041**	**(114,835)**
Total comprehensive income	**591,165**	**831,818**	**45,587**
Less: Comprehensive income attributable to noncontrolling interest	1,008	11,414	1,427
Total comprehensive income attributable to American National	**$ 590,157**	**$ 820,404**	**$ 44,160**

See accompanying notes to the consolidated financial statements.

Table of Contents

AMERICAN NATIONAL GROUP, INC.
(formerly AMERICAN NATIONAL INSURANCE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Noncontrolling Interest	Total Equity
Balance at December 31, 2017	**$ 30,832**	**$ 19,193**	**$ 642,216**	**$ 4,656,134**	**$ (101,616)**	**$ 9,012**	**$ 5,255,771**
Reissuance (purchase) of treasury shares	-	1,173	-	-	(6,876)	-	(5,703)
Amortization of restricted stock	-	328	-	-	-	-	328
Cumulative effect of accounting change	-	-	(627,119)	687,051	-	-	59,932
Other comprehensive loss	-	-	(114,835)	-	-	-	(114,835)
Net income attributable to American National	-	-	-	158,995	-	-	158,995
Cash dividends to common stockholders (declared per share of $3.28)	-	-	-	(88,228)	-	-	(88,228)
Contributions	-	-	-	-	-	6,182	6,182
Distributions	-	-	-	-	-	(2,354)	(2,354)
Net income attributable to noncontrolling interest	-	-	-	-	-	1,427	1,427
Balance at December 31, 2018	**$ 30,832**	**$ 20,694**	**$ (99,738)**	**$ 5,413,952**	**$ (108,492)**	**$ 14,267**	**$ 5,271,515**
Reissuance of treasury shares	-	237	-	-	23	-	260
Amortization of restricted stock	-	80	-	-	-	-	80
Cumulative effect of accounting change	-	-	(785)	785	-	-	-
Other comprehensive income	-	-	200,041	-	-	-	200,041
Net income attributable to American National	-	-	-	620,363	-	-	620,363
Cash dividends to common stockholders (declared per share of $3.28)	-	-	-	(88,243)	-	-	(88,243)
Contributions	-	-	-	-	-	388	388
Distributions	-	-	-	-	-	(20,055)	(20,055)
Net income attributable to noncontrolling interest	-	-	-	-	-	11,414	11,414
Balance at December 31, 2019	**$ 30,832**	**$ 21,011**	**$ 99,518**	**$ 5,946,857**	**$ (108,469)**	**$ 6,014**	**$ 5,995,763**
Reclassification of par value due to reorganization	(26,618)	26,618	-	-	-	-	-
Retirement of treasury shares	(3,945)	-	-	(104,524)	108,469	-	-
Amortization of restricted stock	-	54	-	-	-	-	54
Cumulative effect of accounting change	-	-	-	(33,500)	-	-	(33,500)
Other comprehensive income	-	-	122,652	-	-	-	122,652
Net income attributable to American National	-	-	-	467,505	-	-	467,505
Cash dividends to common stockholders (declared per share of $3.28)	-	-	-	(88,190)	-	-	(88,190)
Contributions	-	-	-	-	-	856	856
Distributions	-	-	-	-	-	(581)	(581)
Net income attributable to noncontrolling interest	-	-	-	-	-	1,008	1,008
Balance at December 31, 2020	**$ 269**	**$ 47,683**	**$ 222,170**	**$ 6,188,148**	**$ -**	**$ 7,297**	**$ 6,465,567**

See accompanying notes to the consolidated financial statements.

AMERICAN NATIONAL GROUP, INC.
(formerly AMERICAN NATIONAL INSURANCE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years ended December 31,		
	2020	2019	2018
OPERATING ACTIVITIES			
Net income	$ 468,513	$ 631,777	$ 160,422
Adjustments to reconcile net income to net cash provided by operating activities:			
Net realized investment gains	(35,660)	(37,719)	(18,174)
Other-than-temporary impairments	-	6,968	1,243
Change in investment credit loss	102,603	-	-
Accretion of premiums, discounts and loan origination fees	9,479	(4,394)	(6,163)
Net capitalized interest on policy loans and mortgage loans	(30,367)	(34,081)	(39,262)
Depreciation	52,551	53,160	52,049
Interest credited to policyholders' account balances	321,042	511,999	315,684
Charges to policyholders' account balances	(310,746)	(305,256)	(285,549)
Deferred federal income tax expense (benefit)	58,910	78,385	(22,599)
Equity in earnings of unconsolidated affiliates	(42,467)	(103,501)	(21,281)
Distributions from unconsolidated affiliates	82,045	111,848	21,453
Changes in:			
Policyholder liabilities	210,397	145,396	288,065
Deferred policy acquisition costs	(5,678)	(12,749)	(71,497)
Reinsurance recoverables	(2,529)	15,645	(8,886)
Premiums due and other receivables	(10,048)	3,780	(31,360)
Prepaid reinsurance premiums	1,865	8,952	10,003
Accrued investment income	(15,533)	(12,227)	(960)
Current tax payable	339	18,893	35,315
Liability for retirement benefits	(13,765)	(8,454)	(69,762)
Fair value of option securities	(51,931)	(144,978)	54,951
Fair value of equity securities	(356,281)	(422,535)	107,188
Other, net	(100,276)	5,503	24,630
Net cash provided by operating activities	**332,463**	**506,412**	**495,510**
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of:			
Held-to-maturity securities	1,615,811	864,481	629,359
Available-for-sale securities	977,051	500,724	451,292
Equity securities	117,866	294,798	214,737
Investment real estate	61,548	66,725	11,577
Mortgage loans	522,900	837,732	812,239
Policy loans	52,767	48,079	52,606
Other invested assets	148,101	120,455	118,846
Disposals of property and equipment	268	69	-
Distributions from unconsolidated affiliates	73,229	91,325	58,287
Payment for the purchase/origination of:			
Held-to-maturity securities	(498,149)	(1,468,253)	(1,349,008)
Available-for-sale securities	(1,473,808)	(528,495)	(680,477)
Equity securities	(131,238)	(49,016)	(79,514)
Investment real estate	(31,518)	(24,163)	(71,732)
Mortgage loans	(752,244)	(784,408)	(1,173,189)
Policy loans	(22,338)	(27,722)	(26,147)
Other invested assets	(98,371)	(109,074)	(75,233)
Additions to property and equipment	(39,863)	(21,402)	(17,670)
Contributions to unconsolidated affiliates	(351,286)	(262,569)	(151,261)
Change in short-term investments	(603,058)	(190,511)	452,005
Change in collateral held for derivatives	(15,648)	107,133	(68,565)
Other, net	2,657	10,369	7,087
Net cash used in investing activities	**(445,323)**	**(523,723)**	**(884,761)**

AMERICAN NATIONAL GROUP, INC.
(formerly AMERICAN NATIONAL INSURANCE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In thousands)

	Years ended December 31, 2020	2019	2018
FINANCING ACTIVITIES			
Policyholders' account deposits	1,232,520	1,770,646	1,717,153
Policyholders' account withdrawals	(1,388,649)	(1,481,234)	(1,345,498)
Proceeds from Federal Home Loan Bank borrowings	500,000	-	-
Repayment of Federal Home Loan Bank borrowings	(250,000)	-	-
Change in notes payable	(4,294)	20,034	505
Dividends to stockholders	(88,190)	(88,243)	(88,228)
Payments to noncontrolling interest	(581)	(20,055)	(2,354)
Net cash provided by financing activities	**806**	**201,148**	**281,578**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(112,054)**	**183,837**	**(107,673)**
Cash and cash equivalents at beginning of the period	452,001	268,164	375,837
Cash and cash equivalents at end of the period	**$ 339,947**	**$ 452,001**	**$ 268,164**
Supplemental cash flow information:			
Interest paid	$ 805	$ -	$ -
Income taxes paid, net	50,800	86,440	22,234

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Nature of Operations

On July 1, 2020, American National Insurance Company, a Texas insurance company (“ANICO”), completed its previously announced holding company reorganization. As a result of such reorganization, ANICO became a wholly owned subsidiary of American National Group, Inc., a Delaware corporation (“ANAT”), and ANAT replaced ANICO as the publicly held company. Consequently, all filings with the Securities and Exchange Commission from July 2, 2020 forward will be filed by ANAT under CIK No. 0001801075. For purposes of filing this Form 10-K for the year ended December 31, 2020, the accompanying consolidated financial statements and notes thereto have been titled “American National Group, Inc.” to reflect the current name of the public registrant, with the parenthetical notation “formerly American National Insurance Company” to reflect the reporting entity for the prior periods covered therein. Upon the effective date of the holding company reorganization, ANAT retired 3,945,249 shares of common stock that were held in treasury at ANICO prior to the reorganization. The amount of retired treasury stock in excess of par value was charged to retained earnings. Before and after the reorganization, the issuer had 50,000,000 authorized shares of common stock and 26,887,200 common shares outstanding. As a result of the reorganization, each share of ANICO common stock, par value $1.00 per share, was automatically converted into one duly issued, fully paid and non-assessable share of ANAT common stock, par value $0.01 per share. As a result of the reorganization, the directors and officers of ANICO became directors and officers of ANAT. There is no change in the ultimate ownership of the organization and business operations will continue from our current office locations and companies. ANAT, through its consolidated subsidiaries (collectively “American National” or the "Company”) offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Business is conducted in all 50 states, the District of Columbia, and Puerto Rico.

Note 2 - Summary of Significant Accounting Policies and Practices

The consolidated financial statements and notes thereto have been prepared in conformity with GAAP and are reported in U.S. currency. American National consolidates entities that are wholly-owned and those in which American National owns less than 100% but controls the voting rights, as well as variable interest entities in which American National is the primary beneficiary. Intercompany balances and transactions with consolidated entities have been eliminated. Investments in unconsolidated affiliates are accounted for using the equity method of accounting. Certain amounts in prior years have been reclassified to conform to current year presentation.

The preparation of the consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported consolidated financial statement balances. Actual results could differ from those estimates.

Investments

Investment securities are comprised of bonds classified as held-to-maturity that are carried at amortized cost net of credit loss allowance and bonds classified as available-for-sale that are carried at fair value. In addition, equity investments, other than those accounted for under the equity method or those that result in consolidation of the investee, are measured at fair value with changes in fair value recognized in earnings.

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses, and allowances. Accretion of discounts is recorded using the effective yield method. Interest income, prepayment fees, and accretion of discounts and origination fees are reported in “Net investment income” in the consolidated statements of operations. Interest income earned is accrued on the principal amount of the loan based on contractual interest rate. However, interest ceases to accrue for loans on which interest is more than 90 days past due, when the collection of interest is not probable, or when a loan is in foreclosure. Income on past due loans is reported on a cash basis. When a loan becomes current, it is placed back into accrual status. Cash receipts on impaired loans are recorded as a reduction of principal, interest income, expense reimbursement, or other manner in accordance with the loan agreement. In the consolidated statements of operations, gains and losses from the sale of loans are reported in “Net realized investment gains,” and changes in allowances are reported in "Change in investment credit loss."

Note 2 - Summary of Significant Accounting Policies and Practices - (Continued)

Mortgage loans are presented net of the Company's recorded allowance for expected credit loss, which represents the portion of amortized cost basis on mortgage loans that the Company does not expect to collect. In determining the Company’s allowance for credit losses, management: (i) pools and evaluates mortgage loans with similar risk characteristics, (ii) considers expected lifetime credit losses adjusted for prepayments and extensions, and (iii) considers past events, current economic conditions and forecasts of future economic conditions. The allowance is calculated quarterly for each property type based on inputs unique to each loan property type.

On an ongoing basis, mortgage loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality), collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is reasonably possible or probable), and reasonably expected troubled debt restructurings (i.e., the Company grants concessions to borrower that is experiencing financial difficulties) may be evaluated individually for credit loss. The allowance for credit losses for loans evaluated individually is established using the same methodologies for the overall commercial portfolio segment except for collateral dependent loans. The allowance for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan’s underlying collateral, less selling cost when foreclosure is probable. Accordingly, the change in the estimated fair value of collateral dependent loans is recorded as a change in the allowance for credit losses which is recorded on a quarterly basis as a charge or credit to earnings.

Policy loans are carried at the outstanding balance plus any accrued interest which approximates fair value.

Investment real estate including related improvements are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 15 to 50 years). Rental income is recognized on a straight-line basis over the term of the respective lease. American National classifies a property as held-for-sale if it commits to a plan to sell a property within one year and actively markets the property in its current condition for a price that is reasonable in comparison to its estimated fair value. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated while it is classified as held-for-sale. American National periodically reviews its investment real estate for impairment and tests properties for recoverability whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and the carrying value of the property exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, with the impairment loss included as an adjustment to “Net realized investment gains” in the consolidated statements of operations. Impairment losses are based upon the estimated fair value of real estate, which is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks as well as other appraisal methods. Real estate acquired upon foreclosure is recorded at the lower of its cost or its estimated fair value at the date of foreclosure.

Real estate joint ventures and other limited partnership interests in which the Company has more than a minor interest or influence over the investee’s operations, but it does not have a controlling interest and is not the primary beneficiary, are accounted for using the equity method. These investments are reported as “Investments in unconsolidated affiliates” in the consolidated statements of financial position. For certain joint ventures, American National records its share of earnings using a lag methodology of one to three months when timely financial information is not available, and the contractual right does not exist to receive such financial information. In addition to the investees’ impairment analysis of their underlying investments, American National routinely evaluates its investments in those investees for impairments. American National considers financial and other information provided by the investee, other known information, and inherent risks in the underlying investments, as well as future capital commitments, in determining whether impairment has occurred. When an impairment is deemed to have occurred at the joint venture level, American National recognizes its share as an adjustment to “Equity in earnings of unconsolidated affiliates” to record the investment at its fair value. When an impairment results from American National’s separate analysis, an adjustment is made through “Net realized investment gains” to record the investment at its fair value.

Short-term investments comprised of commercial paper are carried at amortized cost, which approximates fair value. Short-term investments have a maturity of less than one year.

Other invested assets comprised primarily of equity-indexed options are carried at fair value and may be collateralized by counterparties; such collateral is restricted to the Company’s use. Separately managed accounts and Federal Home Loan Bank stock are also included in other invested assets and are carried at cost or market value if available from the account manager. Other invested assets also include tax credit partnerships and mineral rights less allowance for depletion, where applicable.

Credit losses on fixed maturity securities, **held-to-maturity**, receive a lifetime expected credit loss allowance upon initial recognition of the security representing the net amount expected to be collected. Expected credit losses are measured on a collective (pool) basis by major security type with the credit loss allowance determined based on the difference between the net present value of the expected cash flows from those pooled securities with the amortized cost basis. The expected cash flows are discounted at the effective interest rate of the security and consider historical credit loss information that is adjusted for current market conditions and reasonable and supportable economic forecasts based upon a third-party valuation model. The valuation model calculates expected cash flows based on scenario conditioned probability of default and loss given default. Probability of default measures the likelihood of default over a specified time period, and the loss given default measures the amount that the Company could lose in the event of a counterparty default.

For fixed maturity securities, available-for-sale, in unrealized loss positions which American National does not intend to sell and for which it is not more-likely-than-not that it will be required to sell before its anticipated recovery, American National assesses whether the amortized cost basis of securities will be recovered by comparing the net present value of the expected cash flows from those securities with its amortized cost basis. Management estimates the expected cash flows using a third-party valuation model similar to that used for held-to-maturity securities. The net present value of the expected cash flows is calculated by discounting management's best estimate of expected cash flows at the effective interest rate implicit in the fixed maturity security when acquired. If the net present value of the expected cash flows is less than the amortized cost, a credit loss allowance is recorded. The credit loss is recorded as the excess of amortized cost over the net present value of the expected cash flows limited by the amount the fair value is less than the amortized cost (fair-value floor). If the fair value is less than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists which is recorded in other comprehensive income (loss) for the difference between the fair value and the net present value of the expected cash flows.

Additions to or releases of the allowance on all fixed maturity securities are reported in "Change in investment credit loss" in the consolidated statements of operations.

Prior to January 1, 2020, an other-than-temporary impairment ("OTTI") loss was recorded when management believed the carrying value would not be realized. After the recognition of a credit loss, fixed maturity securities were accounted for as if they had been purchased on the OTTI measurement date, with a cost basis equal to their previous amortized cost less the related OTTI losses recognized in earnings. The new cost basis of an other-than-temporarily impaired security was not adjusted for subsequent increases in estimated fair value. Should there have been a significant increase in the estimate of cash flows expected to be collected from previously impaired securities, the increase would have been accounted for prospectively by accreting it as interest income over its remaining life.

Derivative instruments are purchased to hedge against future interest rate increases in liabilities indexed to market rates and are recorded in the consolidated statements of financial position at fair value net of collateral provided by counterparties. The change in fair value of derivative assets and liabilities is reported in the consolidated statements of operations as "Net investment income" and "Interest credited to policyholders' account balances," respectively. American National does not apply hedge accounting treatment to its derivative instruments. The Company uses derivative instruments to hedge its business risk and holds collateral to offset exposure from its counterparties. Collateral that supports credit risk is reported in the consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Cash and cash equivalents have durations that do not exceed 90 days at the date of acquisition, include cash on-hand and in banks, as well as amounts invested in money market funds, and are reported as "Cash and cash equivalents" in the consolidated statements of financial position.

Property and equipment consist of buildings occupied by American National, data processing equipment, software, furniture and equipment, and automobiles which are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset (typically 3 to 50 years).

Note 2 - Summary of Significant Accounting Policies and Practices - (Continued)

Insurance specific assets and liabilities

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

DAC on traditional life, including limited-pay contracts, and health products is amortized with interest over the anticipated premium-paying period of the related policies in proportion to the ratio of annual premium revenue expected to be received over the life of the policies. Expected premium revenue is estimated by using the same mortality, morbidity, and withdrawal assumptions used in computing liabilities for future policy benefits. DAC is reduced by a provision for possible inflation of maintenance and settlement expenses determined by means of grading interest rates.

DAC on universal life and investment-type contracts is amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect of the realization of unrealized gains (losses) on DAC is recognized within AOCI in the consolidated statements of financial position as of the reporting date. A change in interest rates could have a significant impact on DAC calculated for these contracts.

DAC associated with property and casualty business is amortized over the coverage period of the related policies, in relation to premiums earned.

For short-duration and long-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts.

Liabilities for future policy benefits for traditional products have been provided on a net level premium method based on estimated investment yields, withdrawals, mortality, and other assumptions that were appropriate at the time the policies were issued. Estimates are based on historical experience adjusted for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience. When it is determined that future expected experience differs significantly from existing assumptions, the estimates are revised for current and future issues.

Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed per derivative accounting guidance.

Liabilities for unpaid claims and claim adjustment expenses ("CAE") are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and IBNR claim liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fee, and the general expenses of administering the claims adjustment process.

Reinsurance recoverables are estimated amounts due to American National from reinsurers related to paid and unpaid ceded claims and CAE and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under our non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of IBNR using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and our estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

Separate account assets and liabilities

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of American National. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. American National reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from American National's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, American National's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of American National.

Premiums, benefits, claims incurred, and expenses

Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contract holders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid, and earned policy service fees. Amounts included in expenses are benefits in excess of account balances returned to policyholders.

Property and casualty premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection, which is generally evenly over the contract period, net of reinsurance ceded. Claims incurred consist of claims and CAE paid and the change in reserves, net of reinsurance received and recoverable.

Participating insurance policies

Participating business comprised approximately 4.2% of the life insurance in-force at December 31, 2020 and 15.8% of life premiums in 2020.

For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses) net of tax. Dividends to participating policyholders were $7.0 million, $8.4 million, and $7.6 million for the years ended 2020, 2019, and 2018, respectively. Additional income of $5.8 million, $34.0 million, and $4.2 million was allocated to participating policyholders for the years ended 2020, 2019, and 2018, respectively.

For all other participating business, the allocation of dividends to participating policyowners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

Federal income taxes

American National files a consolidated life and non-life federal income tax return. Certain subsidiaries that are consolidated for financial reporting are not eligible to be included in the consolidated federal income tax return; accordingly, they file separate returns.

Note 2 - Summary of Significant Accounting Policies and Practices - (Continued)

Deferred income tax assets and liabilities are recognized to reflect the future tax consequences attributable to differences between the financial statement amounts of assets and liabilities and their respective tax bases. Deferred taxes are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled.

American National recognizes tax benefits on uncertain tax positions if it is “more-likely-than-not” the position based on its technical merits will be sustained by taxing authorities. American National recognizes the largest benefit that is greater than 50% likely of being ultimately realized upon settlement. Tax benefits not meeting the “more-likely-than-not” threshold, if applicable, are included with “Other liabilities” in the consolidated statements of financial position. American National recognizes interest expense and penalties related to uncertain tax positions, if applicable, as income tax expense in the consolidated statements of operations. Accrued interest expense and penalties related to uncertain tax positions are reported as "Other liabilities" in the consolidated statements of financial position.

Pension and postretirement benefit plans

Pension and postretirement benefit obligations and costs for our frozen benefit plans are estimated using assumptions including demographic factors such as retirement age and mortality.

American National uses a discount rate to determine the present value of future benefits on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. For this purpose, a hypothetical bond portfolio to match the expected monthly benefit payments under the pension plan was constructed with the resulting yield of the portfolio used as a discount rate.

In developing the investment return assumption, we relied on a model that utilizes the following factors:

•Current yield to maturity of fixed income securities
•Forecasts of inflation, GDP growth, and total return for each asset class
•Historical plan performance
•Target asset allocation
•Standard deviations and correlations related to historical and expected future returns of each asset class and inflation

The resulting assumption is the assumed rate of return for the plans’ target asset allocation, net of investment expenses, and reflects anticipated returns of the plans’ current and future assets.

Using this approach, the calculated return will fluctuate from year to year; however, it is American National’s policy to hold this long-term assumption relatively constant.

Stock-based compensation

Stock Appreciation Rights (“SARs”) liability and compensation cost is based on the fair value of the grants and is remeasured each reporting period through the settlement date. The fair value of the SARs is calculated using the Black-Scholes-Merton option-pricing model. The key assumptions used in the model include: the grant date and remeasurement date stock prices, expected life of the SARs, and the risk-free rate of return. The compensation liability related to the SAR award is reported as “Other liabilities” in the consolidated statements of financial position.

Restricted Stock (“RS”) equity and compensation cost is based on the fair value of the underlying stock at grant date. The compensation cost accrued is reported as “Additional paid-in capital” in the consolidated statements of financial position.

Restricted Stock Units (“RSUs”) are settled in cash, resulting in classifying RSUs as a liability award. The liability is remeasured each reporting period through the vesting date and is adjusted for changes in fair value. The compensation liability related to the RSUs is reported as “Other Liabilities” in the consolidated statements of financial position.

Litigation contingencies

Existing and potential litigation is reviewed quarterly to determine if any adjustments to liabilities for possible losses are necessary. Reserves for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, a reserve is recorded based on the lowest amount of the range.

Note 3 - Recently Issued Accounting Pronouncements

Adoption of New Accounting Standards

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The new standard significantly changes how entities measure credit losses for most financial assets, reinsurance recoverables and certain other instruments that are not measured at fair value through net income. The guidance replaces the current "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. The measurement of credit losses for available-for-sale debt securities measured at fair value is not affected except that credit losses recognized are limited to the amount by which the fair value is below amortized cost, and the credit loss is recognized through a valuation allowance. Previously, the credit loss adjustments for available-for-sale debt securities were recognized through a direct write down of the investment under the other-than-temporary impairment model. The standard also requires additional disclosures.	The Company adopted this standard on its required effective date of January 1, 2020 using a modified retrospective transition.	Adoption of this guidance resulted in an allowance for credit losses primarily on the commercial mortgage loans and related off-balance sheet unfunded loan commitments, held-to-maturity bonds, and reinsurance recoverables. The Company recorded a cumulative effect adjustment to retained earnings of $33.5 million, net of tax, which reduced stockholders' equity. The impact is attributable to a $42.4 million allowance for credit losses on the aforementioned financial assets. See table below for additional detail.
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement	The new guidance modifies the disclosure requirements on fair value measurements. Certain disclosure requirements are removed, modified, or added to improve the relevancy of the fair value measurement disclosures.	The Company adopted this standard on its required effective date of January 1, 2020 using a prospective transition for certain amendments and retrospective transition for all other amendments.	The adoption of this standard did not have a material impact to the Company's Notes to the Consolidated Financial Statements.
ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans	The new standard modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance removes certain defined benefit pension or other postretirement plan disclosures that are no longer cost beneficial, clarifies the specific requirements for each disclosure, and adds disclosure requirements.	The Company adopted this standard on its required effective date of December 31, 2020, using a retrospective transition.	The adoption of this standard did not have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements.
ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The new standard aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Current GAAP does not specifically address the implementation costs of a cloud computing arrangement that is service contract.	The Company adopted this standard on its required effective date of January 1, 2020 using a prospective transition.	The adoption of this standard did not have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements.

As of January 1, 2020, changes related to the adoption of ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326"), had the following effect on assets and liabilities:

	Pre-ASC 326 Adoption	Adjustment to Adopt ASC 326	Balance as of January 1, 2020
Assets:			
Allowance for credit losses			
Fixed maturity, bonds held-to-maturity, at amortized cost	$ -	$ (21,664)	$ (21,664)
Mortgage loans on real estate	(19,160)	(11,216)	(30,376)
Reinsurance recoverables	(8,220)	(7,920)	(16,140)
Liabilities:			
Allowance for credit losses			
Other policyholder funds	-	1,518	1,518
Other liabilities	-	(3,126)	(3,126)
Total	**$ (27,380)**	**$ (42,408)**	**$ (69,788)**

Note 3 - Recently Issued Accounting Pronouncements - (Continued)

Future Adoption of New Accounting Standards - The FASB issued the following accounting guidance relevant to American National:

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts	The guidance will improve the timeliness of recognizing changes in the liability for future policy benefits for traditional and limited payment long-duration contracts and will modify the rate used to discount future cash flows. The guidance will also simplify the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts (market risk benefits), simplify the amortization of deferred acquisition costs, and add significant qualitative and quantitative disclosures.	This standard will become effective for the Company for all annual and interim periods beginning January 1, 2023, which was extended from the previous effective date of January 1, 2022 through the issuance of ASU 2020-11. The guidance allows for one of two adoption methods, a modified retrospective transition or a full retrospective transition, except for the changes to accounting for market risk benefits which will require a retrospective transition.	We are currently evaluating the impact of the amendment to the Company. Based on the nature of the standard, we expect the impact to be material to our Consolidated Financial Statements and Notes to the Consolidated Financial Statements.
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	The amendments simplify the accounting for income taxes by removing certain exceptions in the existing guidance including those related to intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items. The amendments require that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax as well as other minor changes.	This standard became effective for the Company for all annual and interim periods beginning January 1, 2021. The new guidance specifies which amendments should be applied prospectively, retrospective to all periods presented, or on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption.	The adoption of this standard did not have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements.
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this Update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.	The amendments in this Update are effective for all entities as of March 12, 2020 and will sunset through December 31, 2022, at which time the application of exceptions and optional expedients will no longer be permitted.	The inventory of LIBOR exposures has been completed and is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Some of the contracts included in these categories will mature prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR is expected to result in an immaterial impact to the Company.

Table of Contents

Note 4 - Investment in Securities

The cost or amortized cost and fair value of investments in securities are shown below (in thousands):

	December 31, 2020				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds held-to-maturity					
U.S. states and political subdivisions	$ 109,445	$ 4,101	$ (11)	$ -	$ 113,535
Foreign governments	3,851	374	-	-	4,225
Corporate debt securities	6,992,095	623,233	(9,117)	(7,475)	7,598,736
Residential mortgage-backed securities	114,579	5,065	(1,464)	(452)	117,728
Collateralized debt securities	139,709	6,864	(845)	(4,515)	141,213
Other debt securities	7,733	11	-	-	7,744
Total bonds held-to-maturity	**7,367,412**	**639,648**	**(11,437)**	**(12,442)**	**7,983,181**
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	28,766	418	(1)	-	29,183
U.S. states and political subdivisions	1,066,627	73,976	(145)	-	1,140,458
Foreign governments	14,995	1,393	-	-	16,388
Corporate debt securities	5,887,756	471,205	(17,207)	(7,275)	6,334,479
Residential mortgage-backed securities	20,544	964	(29)	(188)	21,291
Collateralized debt securities	54,454	1,040	(94)	(19)	55,381
Total bonds available-for-sale	**7,073,142**	**548,996**	**(17,476)**	**(7,482)**	**7,597,180**
Total investments in fixed maturity	**$ 14,440,554**	**$ 1,188,644**	**$ (28,913)**	**$ (19,924)**	**$ 15,580,361**

	December 31, 2019				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds held-to-maturity					
U.S. states and political subdivisions	$ 165,109	$ 5,005	$ -	$ -	$ 170,114
Foreign governments	3,907	442	-	-	4,349
Corporate debt securities	8,099,098	332,410	(6,539)	-	8,424,969
Residential mortgage-backed securities	237,516	6,460	(1,148)	-	242,828
Collateralized debt securities	125,631	1,146	(347)	-	126,430
Total bonds held-to-maturity	**8,631,261**	**345,463**	**(8,034)**	**-**	**8,968,690**
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	29,505	441	(5)	-	29,941
U.S. states and political subdivisions	1,030,309	47,865	(9)	-	1,078,165
Foreign governments	5,000	1,287	-	-	6,287
Corporate debt securities	5,338,007	251,408	(12,795)	-	5,576,620
Residential mortgage-backed securities	23,405	739	(201)	-	23,943
Collateralized debt securities	9,444	686	(1)	-	10,129
Total bonds available-for-sale	**6,435,670**	**302,426**	**(13,011)**	**-**	**6,725,085**
Total investments in fixed maturity	**$ 15,066,931**	**$ 647,889**	**$ (21,045)**	**$ -**	**$ 15,693,775**

Note 4 - Investment in Securities - (Continued)

The amortized cost and fair value, by contractual maturity, of fixed maturity securities are shown below (in thousands):

	December 31, 2020			
	Bonds Held-to-Maturity		Bonds Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 672,904	$ 681,748	$ 416,924	$ 421,798
Due after one year through five years	2,901,055	3,115,358	3,259,188	3,481,552
Due after five years through ten years	2,842,667	3,171,376	2,295,372	2,517,433
Due after ten years	950,786	1,014,699	1,101,658	1,176,397
Total	**$ 7,367,412**	**$ 7,983,181**	**$ 7,073,142**	**$ 7,597,180**

Actual maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of bonds available-for-sale, with the related gross realized gains and losses, are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Proceeds from sales of fixed maturity, bonds available-for-sale	$ 164,372	$ 45,017	$ 85,590
Gross realized gains	624	250	376
Gross realized losses	(4,145)	(1,124)	(2,298)

Gains and losses are determined using specific identification of the securities sold. During 2020 and 2019, bonds below investment grade with a carrying value of $
142.7 million and $157.9 million, respectively, were transferred from held-to-maturity to available-for-sale after a deterioration in the issuers' creditworthiness.

In accordance with various regulations, American National has bonds on deposit with regulating authorities with a carrying value of $47.7 million and $48.0 million at December 31, 2020 and 2019, respectively. In addition, American National has pledged bonds in connection with agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $111.0 million and $162.2 million at December 31, 2020 and 2019, respectively.

The components of the change in net unrealized gains (losses) on debt securities are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Bonds available-for-sale: change in unrealized gains (losses)	$ 242,105	$ 335,473	$ (233,465)
Adjustments for			
Deferred policy acquisition costs	(68,474)	(87,003)	51,920
Participating policyholders' interest	(3,010)	(16,056)	11,157
Deferred federal income tax benefit (expense)	(36,306)	(48,258)	34,127
Change in net unrealized gains (losses) on debt securities, net of tax	**$ 134,315**	**$ 184,156**	**$ (136,261)**

The components of the change in net gains on equity securities are shown below (in thousands):

	Years ended December 31,	
	2020	2019
Unrealized gains on equity securities	$ 349,999	$ 375,395
Net gains on equity securities sold	6,282	47,140
Net gains on equity securities	**$ 356,281**	**$ 422,535**

Note 4 - Investment in Securities - (Continued)

The gross unrealized losses and fair value of bonds available-for-sale, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below (in thousands, except number of issues):

	December 31, 2020								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized (Losses)	Fair Value	Number of Issues	Gross Unrealized (Losses)	Fair Value	Number of Issues	Gross Unrealized (Losses)	Fair Value
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	1	$ (1)	$ 2,868	-	$ -	$ -	1	$ (1)	$ 2,868
U.S. states and political subdivisions	2	(145)	10,205	-	-	-	2	(145)	10,205
Corporate debt securities	43	(8,507)	270,249	8	(8,700)	13,270	51	(17,207)	283,519
Residential mortgage-backed securities	1	(21)	1,391	3	(8)	593	4	(29)	1,984
Collaterized debt securities	3	(93)	12,752	1	(1)	158	4	(94)	12,910
Total	**50**	**$ (8,767)**	**$ 297,465**	**12**	**$ (8,709)**	**$ 14,021**	**62**	**$ (17,476)**	**$ 311,486**

	December 31, 2019								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized (Losses)	Fair Value	Number of Issues	Gross Unrealized (Losses)	Fair Value	Number of Issues	Gross Unrealized (Losses)	Fair Value
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	-	$ -	$ -	5	$ (5)	$ 8,299	5	$ (5)	$ 8,299
U.S. states and political subdivisions	2	(9)	1,733	-	-	-	2	(9)	1,733
Corporate debt securities	22	(5,257)	94,942	25	(7,538)	132,626	47	(12,795)	227,568
Residential mortgage-backed securities	1	(9)	10,169	3	(192)	722	4	(201)	10,891
Collateralized debt securities	1	(1)	159	-	-	-	1	(1)	159
Total	**26**	**$ (5,276)**	**$ 107,003**	**33**	**$ (7,735)**	**$ 141,647**	**59**	**$ (13,011)**	**$ 248,650**

Unrealized losses on bonds available-for-sale where an allowance for credit loss was not recorded are due to noncredit related factors caused by market liquidity events related to COVID-19 and the related economic downturn. A number of assumptions and estimates are inherent in evaluating whether an allowance for credit loss is necessary, which include the financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices.

Equity securities by market sector distribution are shown below, based on fair value:

	December 31,	
	2020	2019
Consumer goods	19.3%	18.9%
Energy and utilities	5.2	8.0
Finance	21.6	18.0
Healthcare	15.0	13.0
Industrials	7.4	7.6
Information technology	27.1	25.0
Other	4.4	9.5
Total	**100.0%**	**100.0%**

Note 4 - Investment in Securities - (Continued)

Allowance for Credit Losses

Held-to-Maturity Securities-Management measures expected credit losses on bonds held-to-maturity on a qualitative adjustment basis by major security type: corporate bonds, structured products, municipals, specialty products and treasuries. Accrued interest receivable on held-to maturity debt securities are excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current market conditions and reasonable and supportable economic forecasts based upon a third-party valuation model.

Available-for-Sale Securities-For bonds available-for-sale in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria is met, the security's amortized cost basis is written down to fair value through income. For bonds available-for-sale that do not meet either indicated criteria, the Company evaluates whether the decline in fair value has resulted from credit events or market factors. In making this assessment, management first calculates the extent to which fair value is less than amortized cost, and then may consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income, limited to the amount fair value is less than amortized cost. Any remaining unrealized loss is recognized in other comprehensive income.

When the discounted cash flow method is used to determine the allowance for credit losses, management's estimates incorporate expected prepayments, if any. Model inputs are considered reasonable and supportable for three years. A mean reversion is applied in years four and five. Credit loss allowance is not measured on accrued interest receivable because the balance is written off to net investment income in a timely manner, within 90 days. Changes in the allowance for credit losses are recognized through the consolidated statement of operations as changes in estimated credit loss.

No accrued interest receivables were written off as of December 31, 2020.

The rollforward of the allowance for credit losses for bonds held-to-maturity is shown below (in thousands):

	Foreign Governments	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
*Allowance for credit losses**					
Cumulative adjustment at January 1, 2020	**$ 4**	**$ (18,563)**	**$ (2,968)**	**$ (137)**	**$ (21,664)**
Purchases	-	(622)	(323)	-	(945)
Disposition	-	6,901	106	134	7,141
Provision	1	(6,117)	199	-	(5,917)
Balance at March 31, 2020	**5**	**(18,401)**	**(2,986)**	**(3)**	**(21,385)**
Purchases	-	(116)	-	-	(116)
Disposition	-	200	-	-	200
Provision	(5)	(1,565)	454	3	(1,113)
Balance at June 30, 2020	**-**	**(19,882)**	**(2,532)**	**-**	**(22,414)**
Purchases	-	(4)	(6)	-	(10)
Disposition	-	1,607	-	-	1,607
Provision	-	(231)	(408)	(35)	(674)
Balance at September 30, 2020	**-**	**(18,510)**	**(2,946)**	**(35)**	**(21,491)**
Purchases	-	(41)	-	-	(41)
Disposition	-	793	694	-	1,487
Provision	-	10,283	(2,263)	(417)	7,603
Balance at December 31, 2020	**$ -**	**$ (7,475)**	**$ (4,515)**	**$ (452)**	**$ (12,442)**

**Quarterly amounts in the table above are unaudited*

Note 4 - Investment in Securities - (Continued)

The rollforward of the allowance for credit losses for available-for-sale debt securities is shown below (in thousands):

	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
*Allowance for credit losses**				
Beginning balance at January 1, 2020	$ -	$ -	$ -	$ -
Allowance on securities that had an allowance recorded in a previous period	(12,499)	(236)	(130)	(12,865)
Balance at March 31, 2020	**(12,499)**	**(236)**	**(130)**	**(12,865)**
Increase in allowance related to purchases	(73)	-	-	(73)
Reduction in allowance related to disposition	7	-	3	10
Allowance on securities that had an allowance recorded in a previous period	10,017	155	(83)	10,089
Allowance on securities where credit losses were not previously recorded	(1,276)	-	-	(1,276)
Balance at June 30, 2020	**(3,824)**	**(81)**	**(210)**	**(4,115)**
Increase in allowance related to purchases	(28)	-	-	(28)
Reduction in allowance related to disposition	33	-	-	33
Allowance on securities that had an allowance recorded in a previous period	1,153	74	16	1,243
Allowance on securities where credit losses were not previously recorded	(4,771)	-	-	(4,771)
Balance at September 30, 2020	**(7,437)**	**(7)**	**(194)**	**(7,638)**
Increase in allowance related to purchases	(116)	-	-	(116)
Reduction in allowance related to disposition	23	6	-	29
Allowance on securities that had an allowance recorded in a previous period	255	(18)	6	243
Balance at December 31, 2020	**$ (7,275)**	**$ (19)**	**$ (188)**	**$ (7,482)**

**Quarterly amounts in the table above are unaudited*

The allowance fluctuated from quarter to quarter in 2020 reflecting market volatility during the year. The impact of COVID-19, the oil price shocks, and the elevated unemployment rate were variables that increased default risk for borrowers in North America and globally. During 2020, energy, retail, construction and transportation sectors were most impacted by the market conditions leading to increased loss allowances; however, in the last quarter of 2020, the default risk forecast had shown that government policies and vaccine development succeeded in mitigating the credit risk to a certain extent. As a result, the expected loss on U.S. corporate debt securities classified as held-to-maturity decreased with the recovery in the market by the end of the year. The outcome drove held-to-maturity allowances to become more in line with available-for-sale results.

Note 4 - Investment in Securities - (Continued)

Credit Quality Indicators

The Company monitors the credit quality of bonds held-to-maturity through the use of credit ratings, which are updated on a monthly basis. The two traditional metrics for assessing interest rate risks are interest-coverage ratios and capitalization ratios which can also be used in the assessment of credit risk. These risks are fairly mitigated through the diversification of all bond investments. Categories of diversification include credit ratings, geographic locations, maturities, and market sector.

The credit quality indicators for the amortized cost of bonds held-to-maturity are shown below (in thousands):

	December 31, 2020					
	Amortized cost of held-to-maturity debt securities by credit rating					
Fixed maturity, bonds held-to-maturity	AAA	AA	A	BBB	BB and below	Total
U.S. state and political subdivisions	$ 25,831	$ 43,964	$ 34,893	$ -	$ 4,757	$ 109,445
Foreign governments	-	2,820	1,031	-	-	3,851
Corporate debt securities	1,956	262,830	2,976,571	3,647,496	103,242	6,992,095
Collateralized debt securities	-	-	107,795	31,914	-	139,709
Residential mortgage backed securities	-	112,995	-	-	1,584	114,579
Other debt securities	-	7,733	-	-	-	7,733
Total	**$ 27,787**	**$ 430,342**	**$ 3,120,290**	**$ 3,679,410**	**$ 109,583**	**$ 7,367,412**

	December 31, 2019					
	Amortized cost of held-to-maturity debt securities by credit rating					
Fixed maturity, bonds held-to-maturity	AAA	AA	A	BBB	BB and below	Total
U.S. state and political subdivisions	$ 58,539	$ 76,542	$ 24,260	$ 500	$ 5,268	$ 165,109
Foreign governments	-	2,861	1,046	-	-	3,907
Corporate debt securities	2,729	407,070	3,637,144	4,031,931	20,224	8,099,098
Residential mortgage backed securities	87,003	-	51,771	-	98,742	237,516
Collateralized debt securities	-	-	109,233	16,398	-	125,631
Total	**$ 148,271**	**$ 486,473**	**$ 3,823,454**	**$ 4,048,829**	**$ 124,234**	**$ 8,631,261**

Note 5 - Mortgage Loans

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. American National attempts to maintain a diversified portfolio by considering both the location of the underlying collateral as well as the type of mortgage loan. The geographic categories come from the U.S. Census Bureau's "Census Regions and Divisions of the United States."
The distribution based on carrying amount of mortgage loans by location is as follows (in thousands, except percentages):

	December 31,			
	2020		2019	
East North Central	$ 783,614	14.9%	$ 667,150	13.1%
East South Central	146,052	2.8	144,887	2.8
Mountain	1,284,555	24.5	1,200,434	23.6
Pacific	806,426	15.4	852,574	16.7
South Atlantic	619,405	11.8	621,875	12.2
West South Central	1,313,848	25.1	1,272,522	25.0
Other	288,631	5.5	337,575	6.6
Total	**$ 5,242,531**	**100.0%**	**$ 5,097,017**	**100.0%**

Note 5 - Mortgage Loans - (Continued)

As of December 31, 2020 and 2019, loans in foreclosure and loans foreclosed are as follows (in thousands, except number of loans):

	December 31,			
	2020		2019	
Foreclosure and foreclosed	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
In foreclosure	1	$ 5,168	2	$ 13,345
Filed for bankruptcy*	1	9,230	-	-
Total in foreclosure	**2**	**$ 14,398**	**2**	**$ 13,345**
Foreclosed	**2**	**$ 8,603**	**2**	**$ 16,008**

**Borrower filed for bankruptcy after foreclosure proceedings had begun.*

The age analysis of past due loans is shown below (in thousands, except percentages):

						Total	
December 31, 2020	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Amount	Percent
Apartment	$ -	$ -	$ -	$ -	$ 557,159	$ 557,159	10.5%
Hotel	30,315	30,158	-	60,473	853,522	913,995	17.0
Industrial	14,930	-	5,168	20,098	836,105	856,203	15.9
Office	24,804	-	9,230	34,034	1,522,197	1,556,231	29.0
Parking	48,825	29,355	-	78,180	286,107	364,287	6.8
Retail	4,991	-	25,779	30,770	760,907	791,677	14.7
Storage	-	-	-	-	165,561	165,561	3.1
Other	-	-	-	-	163,121	163,121	3.0
Total	**$ 123,865**	**$ 59,513**	**$ 40,177**	**$ 223,555**	**$ 5,144,679**	**$ 5,368,234**	**100.0%**
Allowance for loan losses						(125,703)	
Total, net of allowance						**$ 5,242,531**	
December 31, 2019							
Apartment	$ -	$ -	$ -	$ -	$ 385,630	$ 385,630	7.5%
Hotel	-	-	-	-	901,044	901,044	17.6
Industrial	-	13,076	4,091	17,167	589,722	606,889	11.9
Office	22,870	-	-	22,870	1,587,591	1,610,461	31.5
Parking	-	-	-	-	284,866	284,866	5.6
Retail	-	-	4,122	4,122	843,466	847,588	16.6
Storage	-	-	-	-	148,402	148,402	2.9
Other	11,759	-	-	11,759	319,538	331,297	6.4
Total	**$ 34,629**	**$ 13,076**	**$ 8,213**	**$ 55,918**	**$ 5,060,259**	**$ 5,116,177**	**100.0%**
Allowance for loan losses						(19,160)	
Total, net of allowance						**$ 5,097,017**	

As a result of the economic impact associated with COVID-19, as of December 31, 2020,
93 loans with a total balance of $1.6 billion primarily related to hotels, retail and parking operations were modified. The terms of the modifications of these loans include forbearance of principal and interest payments for a period of up to six months, extensions of maturity dates, and/or provision for interest only payments. Of these modified loans, three loans totaling $60.5 million are over 60 days past due and one loan totaling $25.8 million is over 90 days past due. Prior to December 31, 2020, eight loans totaling $230 million which had been modified earlier in the year were modified again. The terms of these modifications were for additional forbearance of up to six months and extensions of interest only payments for up to twelve month and generally included a requirement for the payment of at least 20% of the total interest due during the modification period. The remaining loans are current under their modified terms. The modified loans are presented according to their referenced status under their modified terms in the aging table above. The modified loans had an aggregate deferred interest of $18.3 million as of December 31, 2020.

There were no unamortized purchase discounts as of December 31, 2020 and 2019. Total mortgage loans were net of unamortized origination fees of $26.1 million and $29.3 million at December 31, 2020 and 2019, respectively. No unearned income is included in these amounts.

Note 5 - Mortgage Loans - (Continued)

Troubled Debt Restructurings

American National has granted concessions to certain mortgage loan borrowers. Concessions are generally one of, or a combination of, a delay in payment of principal or interest, a reduction of the contractual interest rate or an extension of the maturity date. Loans that have these concessions could be classified as troubled debt restructurings. The carrying value after the allowance, before and after modification in a troubled debt restructuring, may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. Loan modifications executed due to COVID-19 resulting in a total delay of more than six months were evaluated for troubled debt restructured status under current GAAP guidance.

Troubled debt restructuring mortgage loan information is as follows (in thousands, except number of loans):

	Years ended December 31,					
	2020			2019		
	Number of Loans	Recorded Investment Pre-Modification	Recorded Investment Post Modification	Number of Loans	Recorded Investment Pre-Modification	Recorded Investment Post Modification
Office	7	$ 76,220	$ 76,220	2	$ 21,211	$ 21,211
Retail	6	79,943	79,943	1	38,248	38,248
Industrial	2	11,565	11,565	-	-	-
Hotel	34	811,131	811,131	-	-	-
Parking	16	248,465	248,465	-	-	-
Apartment	2	40,097	40,097	-	-	-
Total	**67**	**$ 1,267,421**	**$ 1,267,421**	**3**	**$ 59,459**	**$ 59,459**

American National considers the amount, timing and extent of concessions in determining credit loss allowances for loan losses recorded in connection with a troubled debt restructuring.

There were 67 loans determined to be a troubled debt restructuring for the year ended December 31, 2020. There are $3.9 million of commitments to lend additional funds to debtors whose loans have been modified in a troubled debt restructuring during the periods presented. The increase in loans determined to be a troubled debt restructuring in 2020 is attributable to COVID-19 related loan modifications where the concessions granted were in excess of six-months in duration.

Note 5 - Mortgage Loans - (Continued)

Allowance for Credit Losses

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses and allowances. The allowance for current expected losses per ASU No. 2016-13 Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326"), at the effective date, January 1, 2020, was based upon the current expected credit loss model. Refer to Note 3, Recently Issued Accounting Pronouncements. The model considers past loss experience, current economic conditions, and reasonable and supportable forecasts of future conditions. Reversion for the allowance calculation is implicit in the models used to determine the allowance. The methodology uses a discounted cash flow approach based on expected cash flows.

The rollforward of the allowance for credit losses for mortgage loans is shown below (in thousands):

	Commercial Mortgage Loans**
Balance at December 31, 2017	**$ (18,866)**
Change in allowance	(2,467)
Balance at December 31, 2018	**(21,333)**
Change in allowance	2,173
Balance at December 31, 2019	**(19,160)**
Cumulative adjustment at January 1, 2020*	(11,216)
Provision	(29,069)
Balance at March 31, 2020	**(59,445)**
Provision	(52,035)
Balance at June 30, 2020	**(111,480)**
Provision	(1,436)
Balance at September 30, 2020	**(112,916)**
Provision	(12,787)
Balance at December 31, 2020	**$ (125,703)**

**Effective January 1, 2020, the Company adopted ASU No. 2016-13. Adoption of this guidance resulted in an allowance for credit losses primarily on the commercial mortgage loans and related off-balance sheet unfunded loan commitments, held-to-maturity bonds and reinsurance recoverables. Prior periods have not been restated to conform to the current presentation. See Note 3, Recently Issued Accounting Pronouncements.*

***Quarterly amounts in the table above are unaudited*

The change in allowance for December 31, 2020 was driven by the economic disruption caused by COVID-19.

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below (in thousands):

	December 31, 2020	
	Asset Balance	Allowance
Apartment	$ 557,159	$ (8,845)
Hotel	913,995	(45,596)
Industrial	856,203	(2,516)
Office	1,556,231	(33,373)
Retail	791,677	(10,856)
Parking	364,287	(18,178)
Storage	165,561	(2,509)
Other	163,121	(3,830)
Total	**$ 5,368,234**	**$ (125,703)**

Note 5 - Mortgage Loans - (Continued)

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by collateral type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below (in thousands):

	Amortized Cost Basis by Origination Year						
	2020	2019	2018	2017	2016	Prior	Total
Apartment	$ 43,000	$ 179,817	$ 48,316	$ 180,073	$ 68,465	$ 37,488	$ 557,159
Hotel	4,697	63,538	204,103	219,655	148,130	273,872	913,995
Industrial	278,401	157,808	134,076	46,544	122,587	116,787	856,203
Office	31,904	58,938	199,428	343,178	293,625	629,158	1,556,231
Retail	69,501	38,977	100,607	80,207	161,460	340,925	791,677
Parking	28,678	13,791	27,243	8,650	169,521	116,404	364,287
Storage	21,659	63,313	54,562	17,095	8,932	-	165,561
Other	-	32,111	59,418	2,235	21,274	48,083	163,121
Total	**$ 477,840**	**$ 608,293**	**$ 827,753**	**$ 897,637**	**$ 993,994**	**$ 1,562,717**	**$ 5,368,234**
Allowance for loan losses							(125,703)
Total, net of allowance							**$ 5,242,531**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At December 31, 2020, commercial loans of $40.2 million were past due over 90 days and are in non-accrual status.

Off-Balance Sheet Credit Exposures

The Company has off-balance sheet credit exposures related to non-cancellable unfunded commitment amounts on commercial mortgage loans. We estimate the allowance for these exposures by applying the allowance rate we computed for each property type to the related outstanding commitment amounts. As of December 31, 2020, we have included an $11.8 million liability in other liabilities on the consolidated statements of financial position based on unfunded loan commitments of $686.5 million.

Note 6 - Real Estate and Other Investments

The carrying amount of investment real estate, net of accumulated depreciation, by property-type and geographic distribution are as follows (in thousands, except percentages):

	December 31, 2020		December 31, 2019	
	Carrying Amount	Percent	Carrying Amount	Percent
Industrial	$ 37,764	7.3%	$ 68,809	12.5%
Office	237,246	45.9	219,490	39.8
Retail	199,232	38.5	215,800	39.1
Other	43,051	8.3	47,120	8.6
Total	**$ 517,293**	**100.0%**	**$ 551,219**	**100.0%**

	December 31, 2020		December 31, 2019	
	Carrying Amount	Percent	Carrying Amount	Percent
East North Central	$ 49,921	9.7%	$ 32,539	5.9%
East South Central	32,630	6.3	34,248	6.2
Mountain	65,862	12.7	68,498	12.4
Pacific	42,537	8.2	40,462	7.3
South Atlantic	72,305	14.0	83,552	15.2
West South Central	236,987	45.8	278,833	50.6
Other	17,051	3.3	13,087	2.4
Total	**$ 517,293**	**100.0%**	**$ 551,219**	**100.0%**

American National regularly invests in real estate partnerships and joint ventures. American National frequently participates in the design of these entities with the sponsor, but in most cases, its involvement is limited to financing. Through analysis performed by American National, some of these partnerships and joint ventures have been determined to be variable interest entities (“VIEs”). In certain instances, in addition to an economic interest in the entity, American National holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary or consolidator of the entity. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of American National, as American National’s obligation is limited to the amount of its committed investment. American National has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs in 2020 or 2019.

The assets and liabilities relating to the VIEs included in the consolidated financial statements are as follows (in thousands):

	December 31,	
	2020	2019
Investment real estate	$ 131,405	$ 134,534
Short-term investments	500	500
Cash and cash equivalents	8,070	11,155
Other receivables	3,484	3,673
Other assets	13,796	15,355
Total assets of consolidated VIEs	**$ 157,255**	**$ 165,217**
Notes payable	$ 153,703	$ 157,997
Other liabilities	8,490	9,731
Total liabilities of consolidated VIEs	**$ 162,193**	**$ 167,728**

The notes payable in the consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $
3.0 million and $4.3 million at December 31, 2020 and 2019, respectively.

Note 6 - Real Estate and Other Investments - (Continued)

The total long-term notes payable of the consolidated VIE's consists of the following (in thousands):

Interest rate	Maturity	December 31, 2020	December 31, 2019
LIBOR	2021	$ 10,819	$ 10,836
4% fixed	2022	78,565	81,709
4.18% fixed	2024	64,319	65,452
Total		**$ 153,703**	**$ 157,997**

For other VIEs in which American National is a partner, it is not the primary beneficiary, and these entities are not consolidated, as the major decisions that most significantly impact the economic activities of the VIE require consent of all partners. The carrying amount and maximum exposure to loss relating to unconsolidated VIEs follows (in thousands):

	December 31, 2020		December 31, 2019	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Investment in unconsolidated affiliates	$ 368,588	$ 368,588	$ 332,742	$ 332,742
Mortgage loans	722,917	722,917	657,528	657,528
Accrued investment income	4,980	4,980	2,198	2,198

As of December 31, 2020, one real estate investment with a carrying value of $3.4 million met the criteria as held-for-sale.

The Company's equity in earnings of unconsolidated affiliates is the Company's share of operating earnings and realized gains from fixed income and equity funds and investments in real estate joint ventures ("joint ventures") using the equity method of accounting. In 2020 and 2019 certain joint ventures took advantage of market opportunities to generate realized gains on the sale of real estate held or developed by the ventures.

Fixed income and equity funds are primarily comprised of senior secured and second lien private loans that are secured by assets, revenues, or credit/balance sheet lending.

The Company's income from and investment in each joint venture did not exceed 20% and therefore no separate financial disclosure is required. The Company's income from, assets held, and investment in each joint venture did not exceed 10% of operating income before tax. Additionally, the Company's investment in joint ventures is less than 3% of the Company's total assets, and investments in individual joint ventures is not considered to be material to the Company in relation to its financial position or ongoing results of operations. Therefore, summarized financial information of equity method investees has not been included.

The Company's total investment in and equity in earnings of unconsolidated affiliates, of which substantially all are limited liability companies ("LLCs") or limited partnerships, were comprised of the following (in thousands):

	December 31, 2020	December 31, 2019
Fixed income and equity funds	$ 458,776	$ 278,611
Real estate joint ventures	443,279	402,780
Other	18,359	24,330
Total investments in unconsolidated affiliates	**$ 920,414**	**$ 705,721**

	Years ended December 31, 2020	2019	2018
Income from operations	$ 14,958	$ 7,407	$ 7,595
Net gain on sales	27,509	96,094	13,686
Equity in earnings of unconsolidated affiliates	**$ 42,467**	**$ 103,501**	**$ 21,281**

Table of Content

Note 7 - Derivative Instruments

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments for accounting purposes under GAAP. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative.
The detail of derivative instruments is shown below (in thousands, except number of instruments):

		December 31,					
		2020			2019		
Derivatives Not Designated as Hedging Instruments	Location in the Consolidated Statements of Financial Position	Number of Instruments	Notional Amounts	Estimated Fair Value	Number of Instruments	Notional Amounts	Estimated Fair Value
Equity-indexed options	Other invested assets	455	$ 2,867,600	$ 242,201	473	$ 2,654,600	$ 256,005
Equity-indexed embedded derivative	Policyholders' account balances	112,103	2,748,540	705,013	101,950	2,527,205	731,552

		Gains (Losses) Recognized in Income on Derivatives		
		Years ended December 31,		
Derivatives Not Designated as Hedging Instruments	Location in the Consolidated Statements of Operations	2020	2019	2018
Equity-indexed options	Net investment income	$ 51,931	$ 144,980	$ (54,951)
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	(22,977)	(162,011)	17,862

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by the counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government backed assets. The non-performance risk is the net counterparty exposure based on the fair value of the open contracts, less the fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. As such, a right of offset has been applied to collateral that supports credit risk and has been recorded in the consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Information regarding the Company's exposure to credit loss on the options it holds is presented below (in thousands):

		December 31, 2020						
Counterparty	Moody/S&P Rating	Options Fair Value	Collateral Held in Cash	Collateral Held in Invested Assets	Total Collateral Held	Collateral Amounts used to Offset Exposure	Excess Collateral	Exposure Net of Collateral
Barclays	Baa2/BBB	$ 51,489	$ 31,513	$ 18,100	$ 49,613	$ 49,613	$ -	$ 1,876
Credit Suisse	Baa1/BBB+	9,447	8,680	-	8,680	8,680	-	767
Goldman-Sachs	A3/BBB+	1,227	1,170	-	1,170	1,170	-	57
ING	Baa1/A-	20,606	10,450	10,300	20,750	20,606	144	-
Morgan Stanley	A2/BBB+	37,406	30,616	5,700	36,316	36,316	-	1,090
NATIXIS*	A1/A+	30,567	30,720	-	30,720	30,567	153	-
Truist	A3/A-	52,127	43,960	11,000	54,960	52,127	2,833	-
Wells Fargo	A2/BBB+	39,332	29,370	9,900	39,270	39,270	-	62
Total		**$ 242,201**	**$ 186,479**	**$ 55,000**	**$ 241,479**	**$ 238,349**	**$ 3,130**	**$ 3,852**

		December 31, 2019						
Counterparty	Moody/S&P Rating	Options Fair Value	Collateral Held in Cash	Collateral Held in Invested Assets	Total Collateral Held	Collateral Amounts used to Offset Exposure	Excess Collateral	Exposure Net of Collateral
Barclays	Baa3/BBB	$ 54,583	$ 27,343	$ 28,000	$ 55,343	$ 54,583	$ 760	$ -
Credit Suisse	Baa2/BBB+	7,117	7,390	-	7,390	7,009	381	108
Goldman-Sachs	A3/BBB+	1,053	930	-	930	930	-	123
ING	Baa1/A-	30,330	14,940	16,000	30,940	30,330	610	-
Morgan Stanley	A3/BBB+	34,988	25,926	9,000	34,926	34,926	-	62
NATIXIS*	A1/A+	29,918	30,200	-	30,200	29,918	282	-
SunTrust	A3/A-	60,360	41,720	17,000	58,720	58,645	75	1,715
Wells Fargo	A2/A-	37,656	24,110	15,000	39,110	37,656	1,454	-
Total		**$ 256,005**	**$ 172,559**	**$ 85,000**	**$ 257,559**	**$ 253,997**	**$ 3,562**	**$ 2,008**

**Collateral is prohibited from being held in invested assets.*

Table of Contents

Note 8 - Net Investment Income and Net Realized Investment Gains (Losses)

Net investment income (loss) is shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Bonds	$ 560,811	$ 602,054	$ 566,513
Equity securities	31,325	33,502	39,193
Mortgage loans	251,414	254,720	258,102
Real estate	5,797	8,849	13,533
Equity-indexed options	51,931	144,980	(54,951)
Other invested assets	32,407	33,301	35,977
Total	**$ 933,685**	**$ 1,077,406**	**$ 858,367**

Net realized investment gains (losses) are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Bonds	$ 23,318	$ 16,361	$ 10,903
Mortgage loans	-	(2,412)	(4,798)
Real estate	12,401	25,555	12,076
Other invested assets	(59)	(1,785)	(7)
Total	**$ 35,660**	**$ 37,719**	**$ 18,174**

Net realized investment gains (losses) by transaction type are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Sales	$ 10,249	$ 27,161	$ 13,279
Calls and maturities	26,948	17,372	12,893
Paydowns	(108)	(156)	(209)
Impairments	(1,276)	(6,505)	(3,717)
Loss allowance*	-	21	(2,547)
Others	(153)	(174)	(1,525)
Total	**$ 35,660**	**$ 37,719**	**$ 18,174**

Other-than-temporary impairment losses are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Bonds*	$ -	$ (6,968)	$ (1,243)

**Effective January 1, 2020, the Company adopted ASU No. 2016-13. Adoption of this guidance resulted in an allowance for credit losses primarily on the commercial mortgage loans and related off-balance sheet unfunded loan commitments, held-to-maturity bonds and reinsurance recoverables. Prior periods have not been restated to conform to the current presentation. See Note 3, Recently Issued Accounting Pronouncements.*

Note 9 - Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments are shown below (in thousands):

	December 31,			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity, bonds held-to-maturity	$ 7,354,970	$ 7,983,181	$ 8,631,261	$ 8,968,690
Fixed maturity, bonds available-for-sale	7,597,180	7,597,180	6,725,085	6,725,085
Equity securities	2,070,766	2,070,766	1,700,960	1,700,960
Equity-indexed options	242,201	242,201	256,005	256,005
Mortgage loans on real estate, net of allowance	5,242,531	5,451,152	5,097,017	5,309,005
Policy loans	373,014	373,014	379,657	379,657
Short-term investments	1,028,379	1,028,379	425,321	425,321
Separate account assets ($1,153,702 and $1,049,938 included in fair value hierarchy)	1,185,467	1,185,467	1,073,891	1,073,891
Separately managed accounts	64,424	64,424	50,503	50,503
Total financial assets	**$ 25,158,932**	**$ 25,995,764**	**$ 24,339,700**	**$ 24,889,117**
Financial liabilities				
Investment contracts	$ 10,101,764	$ 10,101,764	$ 10,254,959	$ 10,254,959
Embedded derivative liability for equity-indexed contracts	705,013	705,013	731,552	731,552
Notes payable	153,703	153,703	157,997	157,997
Federal Home Loan Bank advance	250,000	250,227	-	-
Separate account liabilities ($1,153,702 and $1,049,938 included in fair value hierarchy)	1,185,467	1,185,467	1,073,891	1,073,891
Total financial liabilities	**$ 12,395,947**	**$ 12,396,174**	**$ 12,218,399**	**$ 12,218,399**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. American National has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect American National's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Note 9 - Fair Value of Financial Instruments - (Continued)

Valuation Techniques for Financial Instruments Recorded at Fair Value

Fixed Maturity Securities and Equity Options-American National utilizes a pricing service to estimate fair value measurements. The estimates of fair value for most fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Since fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on the asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

American National has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant’s assumptions. American National does not adjust quotes received from the pricing service. The pricing service utilized by American National has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

American National holds a small amount of private placement debt and fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent broker (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, American National includes these fair value estimates in Level 3.

For securities priced using a quote from an independent broker, such as the equity-indexed options and certain fixed maturity securities, American National uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities-For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. American National tests the accuracy of the information provided by reference to other services annually.

Short-Term Investments-Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Note 9 - Fair Value of Financial Instruments - (Continued)

Separate Account Assets and Liabilities-Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of American National. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. American National reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from American National's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, American National's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of American National.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and fixed maturity bonds available-for-sale. Equity securities are classified as Level 1 measurements. Short-term investments and fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investments in unconsolidated affiliates, accrued investment income, and receivables for securities. These are not financial instruments and are not included in the quantitative disclosures of fair value hierarchy table.

No gains or losses were recognized on assets transferred to separate accounts for the years ended December 31, 2020, 2019, and 2018.

Embedded Derivative-The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

•Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract's surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.

•Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.

•Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index. At December 31, 2020 and 2019, the one-year implied volatility used to estimate embedded derivative value was 17.6% and 11.3%, respectively.

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

	Fair Value			Range	
	December 31,			December 31,	
	2020	2019	Unobservable Input	2020	2019
Indexed Annuities	$ 670.8	$ 706.5	Lapse Rate	1-50%	1-70%
			Mortality Multiplier	100%	90-100%
			Equity Volatility	16-69%	11-46%
Indexed Life	34.2	25.0	Equity Volatility	16-69%	11-46%

Note 9 - Fair Value of Financial Instruments - (Continued)

Quantitative Disclosures

The fair value hierarchy measurements of the financial instruments are shown below (in thousands):

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2020			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 29,183	$ -	$ 29,183	$ -
U.S. states and political subdivisions	1,140,458	-	1,140,458	-
Foreign governments	16,388	-	16,388	-
Corporate debt securities	6,334,479	-	6,224,042	110,437
Residential mortgage-backed securities	21,291	-	21,291	-
Collateralized debt securities	55,381	-	55,381	-
Total bonds available-for-sale	**7,597,180**	**-**	**7,486,743**	**110,437**
Equity securities				
Common stock	2,055,229	2,054,789	-	440
Preferred stock	15,537	14,909	-	628
Total equity securities	**2,070,766**	**2,069,698**	**-**	**1,068**
Options	242,201	-	-	242,201
Short-term investments	1,028,379	-	1,028,379	-
Separate account assets	1,153,702	309,425	844,277	-
Separately managed accounts	64,424	-	-	64,424
Total financial assets	**$ 12,156,652**	**$ 2,379,123**	**$ 9,359,399**	**$ 418,130**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 705,013	$ -	$ -	$ 705,013
Notes payable	153,703	-	-	153,703
Separate account liabilities	1,153,702	309,425	844,277	-
Total financial liabilities	**$ 2,012,418**	**$ 309,425**	**$ 844,277**	**$ 858,716**

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2019			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 29,941	$ -	$ 29,941	$ -
U.S. states and political subdivisions	1,078,165	-	1,078,165	-
Foreign governments	6,287	-	6,287	-
Corporate debt securities	5,576,620	-	5,531,776	44,844
Residential mortgage-backed securities	23,943	-	23,943	-
Collateralized debt securities	10,129	-	10,129	-
Total bonds available-for-sale	**6,725,085**	**-**	**6,680,241**	**44,844**
Equity securities				
Common stock	1,682,149	1,681,686	-	463
Preferred stock	18,811	18,811	-	-
Total equity securities	**1,700,960**	**1,700,497**	**-**	**463**
Options	256,005	-	-	256,005
Short-term investments	425,321	-	425,321	-
Separate account assets	1,049,938	271,575	778,363	-
Separately managed accounts	50,503	-	-	50,503
Total financial assets	**$ 10,207,812**	**$ 1,972,072**	**$ 7,883,925**	**$ 351,815**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 731,552	$ -	$ -	$ 731,552
Notes payable	157,997	-	-	157,997
Separate account liabilities	1,049,938	271,575	778,363	-
Total financial liabilities	**$ 1,939,487**	**$ 271,575**	**$ 778,363**	**$ 889,549**

Note 9 - Fair Value of Financial Instruments - (Continued)

For financial instruments measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below (in thousands):

	Level 3			
	Assets			Liability
	Investment Securities	Equity-Indexed Options	Separately Managed Accounts	Embedded Derivative
Balance at December 31, 2017	**$ -**	**$ 220,190**	**$ -**	**$ 512,526**
Net loss for derivatives included in net investment income	-	(55,093)	-	-
Net change included in interest credited	-	-	-	(17,862)
Purchases, sales and settlements or maturities				
Purchases	4,346	72,033	16,532	-
Sales	-	(18)	-	-
Settlements or maturities	-	(89,106)	-	-
Premiums less benefits	-	-	-	101,411
Balance at December 31, 2018	**4,346**	**148,006**	**16,532**	**596,075**
Net gain for derivatives included in net investment income	-	144,980	-	-
Net change included in interest credited	-	-	-	162,011
Net fair value change included in other comprehensive income	-	-	60	-
Purchases, sales and settlements or maturities				
Purchases	45,307	75,163	33,911	-
Sales	(113)	(13,396)	-	-
Settlements or maturities	-	(98,748)	-	-
Premiums less benefits	-	-	-	(26,534)
Gross transfers out of Level 3	(4,233)	-	-	-
Balance at December 31, 2019	**45,307**	**256,005**	**50,503**	**731,552**
Net gain for derivatives included in net investment income	-	51,931	-	-
Net change included in interest credited	-	-	-	22,977
Net fair value change included in other comprehensive income	80	-	(312)	-
Purchases, sales and settlements or maturities				
Purchases	191,960	80,705	25,343	-
Sales	(70,842)	(8,063)	(11,110)	-
Settlements or maturities	-	(138,377)	-	-
Premiums less benefits	-	-	-	(49,516)
Gross transfers out of Level 3	(55,000)	-	-	-
Balance at December 31, 2020	**$ 111,505**	**$ 242,201**	**$ 64,424**	**$ 705,013**

Within the net gain (loss) for derivatives included in net investment income were unrealized losses of $11.2 million, unrealized gains of $113.3 million, and unrealized losses of $94.9 million relating to assets still held at December 31, 2020, 2019, and 2018, respectively.

The associated embedded derivative decrease is largely driven by classification changes to declared funds within indexed products and by changes to the embedded derivative discount rate.

There were
no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. Unless information is obtained from the brokers that indicates observable inputs were used in their pricing, there are not enough observable inputs to enable American National to classify the securities priced by the brokers as other than Level 3. American National’s valuation of these securities involves judgment regarding assumptions market participants would use including quotes from independent brokers. The inputs used by the brokers include recent transactions in the security, similar bonds with same name, ratings, maturity and structure, external dealer quotes in the security, Bloomberg evaluated pricing and prior months pricing. None of these inputs were observable to American National as of December 31, 2020. The transfers out of Level 3 during the years ended December 31, 2020 and 2019 were the result of securities being priced by the third-party service at the end of the period, using inputs that were observable or derived from market data, which resulted in classification of these assets as Level 2.

Note 9 - Fair Value of Financial Instruments - (Continued)

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair values is discussed below:

Fixed Maturity Securities-The fair value of bonds held-to-maturity is determined to be consistent with the disclosure under Valuation Techniques for the Financial Instrument Recorded at Fair Value section.

Mortgage Loans-The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan by loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property type, lien priority, payment type and current status.

Policy Loans-The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, American National believes the carrying value of policy loans approximates fair value.

Separately Managed Accounts-The amounts reported in separately managed accounts consist primarily of notes and private equity. These investments are private placements and do not have a readily determinable fair value. The carrying value of the separately managed accounts is cost or market value, if available from the separately managed account manager. Market value is provided by the separately managed account manager in subsequent quarters. American National believes that cost approximates fair value at initial recognition during the quarter of investment.

Investment Contracts-The carrying value of investment contracts is equivalent to the accrued account balance. The accrued account balance consists of deposits, net of withdrawals, net of interest credited, fees and charges assessed and other adjustments. American National believes that the carrying value of investment contracts approximates fair value because the majority of these contracts' interest rates reset at anniversary.

Notes Payable-Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

Federal Home Loan Bank Advance-The Federal Home Loan Bank advance is carried at outstanding principal balance. The fair value of the advance is obtained from the Federal Home Loan Bank of Dallas.

Note 9 - Fair Value of Financial Instruments - (Continued)

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below (in thousands):

	December 31, 2020		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Fixed maturity, bonds held-to-maturity			
U.S. states and political subdivisions	Level 2	$ 109,445	$ 113,535
Foreign governments	Level 2	3,851	4,225
Corporate debt securities	Level 2	6,981,597	7,595,712
Corporate debt securities	Level 3	3,024	3,024
Residential mortgage-backed securities	Level 2	114,127	117,728
Collateralized debt securities	Level 2	135,194	141,213
Other debt securities	Level 2	7,732	7,744
Total fixed maturity, bonds held-to-maturity		**7,354,970**	**7,983,181**
Mortgage loans on real estate, net of allowance	Level 3	5,242,531	5,451,152
Policy loans	Level 3	373,014	373,014
Total financial assets		**$ 12,970,515**	**$ 13,807,347**
Financial liabilities			
Investment contracts	Level 3	$ 10,101,764	$ 10,101,764
Notes payable	Level 3	153,703	153,703
Federal Home Loan Bank advance	Level 2	250,000	250,227
Total financial liabilities		**$ 10,505,467**	**$ 10,505,694**

	December 31, 2019		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Fixed maturity, bonds held-to-maturity			
U.S. states and political subdivisions	Level 2	$ 165,109	$ 170,114
Foreign governments	Level 2	3,907	4,349
Corporate debt securities	Level 2	8,099,098	8,424,969
Residential mortgage-backed securities	Level 2	237,516	242,828
Collateralized debt securities	Level 2	125,631	126,430
Total fixed maturity, bonds held-to-maturity		**8,631,261**	**8,968,690**
Mortgage loans on real estate, net of allowance	Level 3	5,097,017	5,309,005
Policy loans	Level 3	379,657	379,657
Total financial assets		**$ 14,107,935**	**$ 14,657,352**
Financial liabilities			
Investment contracts	Level 3	$ 10,254,959	$ 10,254,959
Notes payable	Level 3	157,997	157,997
Total financial liabilities		**$ 10,412,956**	**$ 10,412,956**

Note 10 - Deferred Policy Acquisition Costs

Deferred policy acquisition costs are shown below (in thousands):

	Life	Annuity	Health	Property & Casualty	Total
Balance at December 31, 2017	$ 791,276	$ 426,497	$ 36,806	$ 119,265	$ 1,373,844
Additions	131,156	92,603	12,590	315,305	551,654
Amortization	(97,263)	(57,468)	(15,436)	(309,990)	(480,157)
Effect of change in unrealized gains on available-for-sale debt securities	13,964	37,956	-	-	51,920
Net change	**47,857**	**73,091**	**(2,846)**	**5,315**	**123,417**
Balance at December 31, 2018	**839,133**	**499,588**	**33,960**	**124,580**	**1,497,261**
Additions	139,336	70,272	19,940	313,710	543,258
Amortization	(113,300)	(79,746)	(21,322)	(316,141)	(530,509)
Effect of change in unrealized gains on available-for-sale debt securities	(12,269)	(74,734)	-	-	(87,003)
Net change	**13,767**	**(84,208)**	**(1,382)**	**(2,431)**	**(74,254)**
Balance at December 31, 2019	**852,900**	**415,380**	**32,578**	**122,149**	**1,423,007**
Additions	148,142	55,411	15,926	335,744	555,223
Amortization	(94,386)	(103,709)	(15,619)	(335,831)	(549,545)
Effect of change in unrealized gains on available-for-sale debt securities	(10,448)	(58,026)	-	-	(68,474)
Net change	**43,308**	**(106,324)**	**307**	**(87)**	**(62,796)**
Balance at December 31, 2020	**$ 896,208**	**$ 309,056**	**$ 32,885**	**$ 122,062**	**$ 1,360,211**

Commissions comprise the majority of the additions to deferred policy acquisition costs.

Note 11 - Liability for Future Policy Benefits and Policyholder Account Balances

American National estimates liabilities for amounts payable under insurance and annuity policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of expected benefit payments reduced by the present value of expected premiums. Such liabilities are established on a block of business based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability termination, investment return, inflation, expenses, and other contingent events as appropriate to the respective product type.

Future policy benefits for non-participating traditional life insurance are equal to the aggregate of the present value of expected benefit payments and related expenses less the present value of expected net premiums. Assumptions as to mortality and persistency are based upon American National's experience when the basis of the liability is established. Interest rates for the aggregate future policy benefit liabilities range from 3.0% to 8.0%.

Future policy benefit liabilities for participating traditional life insurance are equal to the aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 2.5% to 5.5%) and mortality rates guaranteed in calculating the cash surrender values described in such contracts; and (ii) the liability for terminal dividends.

Future policy benefit liabilities for individual fixed deferred annuities after annuitization and single premium immediate annuities are equal to the present value of expected future payments. The interest rate used in establishing such liabilities range from 3.0% to 6.0% for all policies in-force.

Future policy benefit liabilities for non-medical health insurance are calculated using the net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. The interest rate used in establishing such liabilities range from 3.5% to 8.0%.

Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest. The interest rates used in establishing such liabilities range from 3.0% to 6.0%.

Liabilities for universal life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. American National regularly evaluates estimates used and adjusts the additional liability balances with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical Standard & Poor's experience. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

American National periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the consolidated statements of operations in the period in which the changes occur.

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses

The liability for unpaid claims and claim adjustment expenses (“claims”) for health and property and casualty insurance is included in “Policy and contract claims” in the consolidated statements of financial position and is the amount estimated for incurred but not reported (“IBNR”) claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National’s historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the consolidated results of operations in the period in which the changes occur. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Unpaid claims balance, beginning	$ 1,322,837	$ 1,305,225	$ 1,218,652
Less: Reinsurance recoverables	246,447	254,466	241,301
Net beginning balance	1,076,390	1,050,759	977,351
Incurred related to			
Current	1,177,634	1,207,796	1,193,216
Prior years	(61,659)	(57,979)	(19,852)
Total incurred claims	1,115,975	1,149,817	1,173,364
Paid claims related to			
Current	681,960	688,544	688,493
Prior years	399,276	435,642	411,463
Total paid claims	1,081,236	1,124,186	1,099,956
Net balance	1,111,129	1,076,390	1,050,759
Plus: Reinsurance recoverables	243,084	246,447	254,466
Unpaid claims balance, ending	$ 1,354,213	$ 1,322,837	$ 1,305,225

The net and gross reserve calculations have shown favorable development as a result of favorable loss emergence compared to what was implied by the loss development patterns used in the original estimation of losses in prior years. Estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately $61.7 million, $58.0 million, $19.9 million in 2020, 2019, and 2018, respectively. The favorable development in 2020 was a reflection of lower rates of claim severity emergence than previously expected in the worker's compensation line of business , and lower liability claim settlement costs emerging from agribusiness and private passenger automobile lines of business. The favorable development in 2019 reflected lower rates of claim severity emergence than previously expected in the workers compensation line of business , and lower liability claim settlement costs emerging from private passenger automobile line of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at December 31, 2020 and December 31, 2019 was $20.5 million and $21.4 million respectively.

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated statement of financial position is as follows (in thousands):

	December 31, 2020
Net outstanding liabilities	
Auto Liability	$ 449,779
Non-Auto Liability	282,681
Commercial Multi-Peril	125,321
Homeowners	82,010
Short Tail Property	39,528
Credit Property and Casualty	18,870
Credit Life	1,123
Health	25,089
Credit Health	4,689
Other	796
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	**1,029,886**
Reinsurance recoverable on unpaid claims	
Auto Liability	9,240
Non-Auto Liability	38,496
Commercial Multi-Peril	5,972
Homeowners	9,520
Short Tail Property	6,018
Credit Property and Casualty	14,220
Credit Life	752
Health	165,436
Credit Health	1,903
Other	7,159
Total reinsurance recoverable on unpaid claims	**258,716**
Insurance lines other than short-duration	229,209
Unallocated claim adjustment expenses	57,477
	286,686
Total gross liability for unpaid claims and claim adjustment expense	**$ 1,575,288**

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Property and Casualty Reserving Methodology-The following methods are utilized:

•**Initial Expected Loss Ratio**-This method calculates an estimate of ultimate losses by applying an estimated loss ratio to actual earned premium for each calendar/accident year. This method is appropriate for classes of business where the actual paid or reported loss experience is not yet mature enough to influence initial expectations of the ultimate loss ratios.

•**Pegged Frequency and Severity**-This method uses actual claims count data and emergence patterns of older accident periods to project the ultimate number of reported claims for a given accident year. A similar process projects the ultimate average severity per claim so that the product of the two projections results in a projection of ultimate loss for a given accident year.

•**Bornhuetter-Ferguson**-This method uses, as a starting point, either an assumed Initial Expected Loss Ratio Method or Pegged Frequency and Severity method and blends in the loss ratio or frequency and severity implied by the claims experience to date by using loss development patterns based on our historical experience. This method is generally appropriate where there are few reported claims and an unstable pattern of reported losses.

•**Loss or Expense Development (Chain Ladder)**-This method uses actual loss or defense and cost containment expense data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. This method is appropriate when there is a relatively stable pattern of loss and expense emergence and a relatively large number of reported claims.

•**Ratio of Paid Defense and Cost Containment Expense to Paid Loss Development**-This method uses the ratio of paid defense and cost containment expense to paid loss data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. In this method, an ultimate ratio of paid defense and cost containment expense to paid loss is selected for each accident period. The selected paid defense and cost containment expense to paid loss ratio is then applied to the selected ultimate loss for each accident period to estimate the ultimate defense and cost containment expense. Paid defense and cost containment expense is then subtracted from the ultimate defense and cost containment expense to calculate the unpaid defense and cost containment expense for that accident period.

•**Calendar Year Paid Adjusting and Other Expense to Paid Loss**-This method uses a selected prior calendar years' paid expense to paid loss ratio to project ultimate loss adjustment expenses for adjusting and other expense. A percentage of the selected ratio is applied to the case reserves (depending on the line of insurance) and 100% to the indicated IBNR reserves. These ratios assume that a percentage of the expense is incurred when a claim is opened and the remaining percentage is paid throughout the claim's life.

For most credit property and casualty products, IBNR liability is calculated as a percentage of pro rata unearned premium, with the specific percentage for a given product line informed by a traditional completion factor claim reserve analysis.

The expected development on reported claims is the sum of a pay-to-current reserve and a future reserve. The pay-to-current reserve is calculated for each open claim having a monthly indemnity and contains the amount required to pay the open claim from the last payment date to the current valuation date. The future reserve is calculated by assigning to each open claim a fixed reserve amount based on the historical average severity. For debt cancellation products and involuntary unemployment insurance, this reserve is calculated using published valuation tables.

Cumulative claim frequency information is calculated on a per claim basis. Claims that do not result in a liability are not considered in the determination of unpaid liabilities.

For any given line of business, none of these methods are relied on exclusively. With minor exceptions, multiple methods may be used for a line of business as a check for reasonableness of our reselected reserve value.

The following contains information about incurred and paid claims development as of December 31, 2020, net of reinsurance, as well as cumulative claim frequency and the total of IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2011 to 2019 is presented as supplementary information.

Table of Contents

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Auto Liability-Consists of personal and commercial auto. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As of December 31, 2020	
	Years ended December 31,											
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2011	$ 263,411	$ 250,659	$ 248,865	$ 244,519	$ 244,436	$ 242,619	$ 241,711	$ 240,997	$ 240,650	$ 240,601	$ 70	47,076
2012		251,593	242,255	231,312	228,013	229,426	228,559	228,864	228,486	228,236	92	44,689
2013			242,364	236,432	233,068	231,301	228,285	226,608	227,234	227,102	312	38,816
2014				232,146	223,386	217,819	215,419	214,870	214,557	214,326	369	36,000
2015					237,578	240,697	239,421	245,775	244,798	244,621	1,567	36,087
2016						259,177	256,080	261,400	259,128	257,633	3,352	37,092
2017							269,803	280,012	275,850	273,551	7,175	38,535
2018								314,467	299,512	288,806	23,172	37,711
2019									330,988	313,636	44,325	35,995
2020										277,597	90,052	24,322
									Total	**$ 2,566,109**		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020
2011	$ 93,245	$ 161,387	$ 197,326	$ 217,640	$ 230,585	$ 236,187	$ 238,510	$ 239,409	$ 240,085	$ 240,313
2012		82,531	150,323	183,448	204,980	214,467	219,170	222,117	222,865	224,585
2013			79,358	143,709	181,535	204,480	215,280	219,303	223,739	224,675
2014				72,838	134,376	166,947	187,375	204,057	209,401	210,994
2015					78,861	149,366	186,281	211,908	231,530	237,792
2016						86,492	153,911	198,326	225,869	237,592
2017							88,357	175,175	218,435	241,823
2018								95,777	185,317	227,312
2019									98,545	193,389
2020										78,699
									Total	**$ 2,117,174**
									All outstanding liabilities before 2011, net of reinsurance*	844
									Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 449,779**

**Unaudited supplementary information.*

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Non-Auto Liability-Consists of workers' compensation and other liability occurrence. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As of December 31, 2020	
	Years ended December 31,											
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2011	$ 86,409	$ 76,038	$ 75,390	$ 74,372	$ 73,647	$ 71,423	$ 68,248	$ 67,979	$ 67,307	$ 67,758	$ 1,978	5,726
2012		83,146	80,470	78,644	75,226	68,017	63,630	64,118	63,336	63,552	2,368	4,872
2013			74,183	75,815	70,772	67,841	65,096	64,564	63,284	62,926	2,650	4,556
2014				83,084	75,550	72,624	67,339	67,865	67,267	67,268	3,472	6,102
2015					83,897	78,968	76,724	67,548	64,189	63,326	4,848	5,556
2016						86,935	83,179	73,764	73,195	68,178	8,180	4,481
2017							102,616	88,902	81,240	77,322	8,875	8,133
2018								88,986	85,910	79,493	23,527	13,575
2019									96,064	95,340	38,408	11,633
2020										90,197	59,252	8,703
									Total	$ 735,360		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020
2011	$ 13,848	$ 31,943	$ 41,814	$ 52,003	$ 56,791	$ 60,706	$ 62,414	$ 63,121	$ 63,706	$ 64,020
2012		13,862	27,574	38,826	49,585	55,194	57,863	59,528	60,900	61,450
2013			12,794	22,743	32,474	42,504	47,987	51,672	54,323	55,426
2014				11,201	26,587	36,220	45,206	51,853	55,307	57,497
2015					11,979	23,488	37,059	46,285	51,303	53,478
2016						12,733	24,633	35,502	45,820	50,596
2017							14,865	37,139	48,654	53,996
2018								13,156	26,115	37,574
2019									12,204	30,199
2020										9,596
									Total	$ 473,832
									All outstanding liabilities before 2011, net of reinsurance*	21,153
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 282,681

**Unaudited supplementary information.*

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Commercial Multi-Peril-Consists of business owners insurance and mortgage fire business. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As of December 31, 2020	
	Years ended December 31,											
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2011	$ 42,185	$ 40,825	$ 39,037	$ 38,160	$ 38,456	$ 36,945	$ 37,014	$ 36,638	$ 35,964	$ 36,104	$ 222	3,566
2012		35,169	28,548	26,805	23,258	23,385	23,090	22,481	22,045	22,033	142	2,718
2013			33,979	27,592	27,867	26,970	25,948	26,028	24,790	24,681	301	2,228
2014				36,852	31,220	34,911	33,962	36,132	34,279	34,004	396	2,314
2015					33,997	31,488	29,023	32,282	31,285	33,059	848	2,238
2016						38,115	33,475	33,080	31,615	33,628	1,530	4,792
2017							42,411	37,079	40,611	43,367	2,801	6,796
2018								50,784	50,182	51,519	8,442	5,609
2019									56,062	59,789	17,510	3,442
2020										68,226	31,248	3,420
									Total	**$ 406,410**		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020
2011	$ 13,092	$ 18,390	$ 22,616	$ 28,291	$ 30,458	$ 32,692	$ 34,177	$ 34,782	$ 34,939	$ 35,605
2012		11,525	14,454	16,263	18,670	20,716	21,026	21,352	21,415	21,453
2013			9,374	12,723	15,426	18,406	20,816	21,718	23,210	23,348
2014				12,001	16,484	20,199	24,602	27,339	31,448	32,702
2015					9,820	12,956	16,402	21,680	25,188	27,201
2016						11,327	17,193	19,085	22,339	25,686
2017							12,458	20,828	23,294	26,202
2018								18,027	30,078	32,490
2019									22,098	32,295
2020										25,492
									Total	**$ 282,474**
									All outstanding liabilities before 2011, net of reinsurance*	1,385
									Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 125,321**

**Unaudited supplementary information.*

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Homeowners-Consists of homeowners and renters business. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As of December 31, 2020	
	Years ended December 31,											
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2011	$ 203,301	$ 200,356	$ 198,757	$ 197,581	$ 197,381	$ 197,451	$ 197,239	$ 197,070	$ 197,020	$ 197,093	$ -	38,761
2012		181,284	177,664	175,523	175,509	175,178	175,032	174,611	174,276	174,239	-	30,999
2013			152,208	149,080	149,272	148,231	147,927	147,444	147,359	147,234	-	20,041
2014				132,651	131,634	130,287	131,546	130,895	130,747	130,799	-	18,182
2015					125,430	124,199	123,619	123,824	123,731	123,357	33	17,753
2016						147,264	145,373	144,376	145,019	144,828	20	21,549
2017							164,284	172,274	172,491	169,524	25	23,555
2018								174,495	179,561	176,317	1,264	22,519
2019									177,854	176,005	5,808	20,125
2020										227,298	23,749	23,049
									Total	**$ 1,666,694**		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020
2011	$ 160,625	$ 190,946	$ 194,237	$ 195,327	$ 196,575	$ 196,628	$ 196,717	$ 196,757	$ 196,787	$ 196,872
2012		143,797	169,415	171,842	173,170	173,676	174,139	174,247	174,256	174,239
2013			115,605	140,309	145,152	146,650	146,920	147,145	147,233	147,232
2014				96,300	122,601	126,245	129,467	130,059	130,305	130,542
2015					86,617	114,696	119,331	122,585	122,955	123,065
2016						105,415	136,796	140,972	144,000	144,596
2017							116,075	159,107	166,009	167,638
2018								121,631	165,203	170,850
2019									122,530	163,400
2020										166,352
									Total	**$ 1,584,786**
									All outstanding liabilities before 2011, net of reinsurance*	102
									Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 82,010**

**Unaudited supplementary information.*

Table of Contents

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Short Tail Property-Consists of auto physical damage, fire, rental owners, standard fire policy, country estates, inland marine and watercraft. This line of business has substantially all claims settled and paid in less than two years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance		As of December 31, 2020	
	Years ended December 31,			
Accident Year	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2019	$ 247,229	$ 242,184	$ 115	65,697
2020	-	237,332	(418)	50,486
	Total	$ 479,516		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance	
	Years ended December 31,	
Accident Year	2019*	2020
2019	$ 218,333	$ 238,413
2020	-	203,827
	Total	$ 442,240
	All outstanding liabilities before 2019, net of reinsurance*	2,252
	Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 39,528

**Unaudited supplementary information*

Credit Property and Casualty-Consists of credit property insurance, vendor's or lender's single interest insurance, GAP insurance, GAP waiver, debt cancellation products, involuntary unemployment insurance and collateral protection insurance. This line of business has substantially all claims settled and paid in less than two years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance		As of December 31, 2020	
	Years ended December 31,			
Accident Year	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2019	$ 82,391	$ 82,393	$ 21	28,454
2020	-	65,260	14,089	19,659
	Total	$ 147,653		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance	
	Years ended December 31,	
Accident Year	2019*	2020
2019	$ 61,302	$ 82,372
2020		46,417
	Total	$ 128,789
	All outstanding liabilities before 2019, net of reinsurance*	6
	Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 18,870

**Unaudited supplementary information.*

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Credit Life-For credit life products, IBNR is calculated as a percentage of life insurance in-force. This line of business has substantially all claims settled and paid in less than two years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance		As of December 31, 2020	
	Years ended December 31,			
Accident Year	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2019	$ 5,956	$ 6,421	$ 59	29
2020	-	7,265	1,001	29
Total		$ 13,686		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance	
	Years ended December 31,	
Accident Year	2019*	2020
2019	$ 4,772	$ 6,362
2020	-	6,201
Total		$ 12,563
All outstanding liabilities before 2019, net of reinsurance*		-
Liabilities for claims and claim adjustment expenses, net of reinsurance		$ 1,123

**Unaudited supplementary information.*

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Health Reserving Methodology-The following methods are utilized:

•**Completion Factor Approach**-This method assumes that the historical claim patterns will be an accurate representation of unpaid claim liabilities. An estimate of the unpaid claims is calculated by subtracting period-to-date paid claims from an estimate of the ultimate "complete" payment for all incurred claims in the period. Completion factors are calculated which "complete" the current period-to-date payment totals for each incurred month to estimate the ultimate expected payout.

•**Tabular Claims Reserves**-This method is used to calculate the reserves for long-term care and disability income blocks of business. These reserves rely on published valuation continuance tables created using industry experience regarding assumptions of continued morbidity and subsequent recovery. Reserves are calculated by applying these continuance tables, along with appropriate company experience adjustments, to the stream of contractual benefit payments. These expected benefit payments are discounted at the required interest rate.

•**Future Policy Benefits**-Reserves are equal to the aggregate of the present value of expected future benefit payments, less the present value of expected future premiums. Morbidity and termination assumptions are based on our experience or published valuation tables when available and appropriate.

•**Premium Deficiency Reserves**-Deficiency reserves are established when the expected future claim payments and expenses for a classification of policies are in excess of the expected premiums for these policies. The determination of a deficiency reserve takes into consideration the likelihood of premium rate increases, the timing of these increases, future net investment income, and the expected benefit utilization patterns. We have established premium deficiency reserves for portions of the major medical business and the long-term care business that are in run-off. The assumptions and methods used to determine the deficiency reserves are reviewed periodically for reasonableness, and the reserve amount is monitored against emerging losses.

There is no expected development on reported claims in the health blocks. Claim frequency is determined by totaling the number of unique claim numbers during the period as each unique claim number represents a claim event for an individual claimant.

Health-Consists of stop-loss and other supplemental health products. This line of business has substantially all claims settled and paid in less than five years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2020	
	Years ended December 31,						
Accident Year	**2016***	**2017***	**2018***	**2019***	**2020**	**IBNR Plus Expected Development**	**Cumulative Number of Reported Claims**
2016	$ 36,198	$ 41,236	$ 37,164	$ 37,233	$ 37,223	$ -	28,723
2017		41,544	39,930	35,466	35,447	-	31,396
2018			64,686	63,729	57,676	-	31,766
2019				48,175	52,508	5,271	32,205
2020					38,461	14,269	23,773
				Total	**$ 221,315**		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	Years ended December 31,				
Accident Year	**2016***	**2017***	**2018***	**2019***	**2020**
2016	$ 24,357	$ 37,040	$ 37,115	$ 37,191	$ 37,198
2017		25,358	35,392	35,420	35,420
2018			34,894	57,759	57,616
2019				33,353	47,270
2020					23,398
				Total	**$ 200,902**
				All outstanding liabilities before 2016, net of reinsurance*	4,676
				Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 25,089**

**Unaudited supplementary information.*

Note 12 - Liability for Unpaid Claims and Claim Adjustment Expenses - (Continued)

Credit Health Reserving Methodology-The following methods are utilized:

Tabular Claims Reserves-These reserves rely on published valuation continuance tables. The insureds age at disablement, the duration of the claim and the remaining term of the policy are used to provide a factor which is applied to the remaining exposure to calculate the present value of future benefits for insureds on claim.

The claim liability consists of IBNR and Due/Unpaid. The IBNR utilizes an inventory type method based on historical patterns of claim payments incurred but not reported within the last six months of the valuation date.

The Due/Unpaid reserves are the amount needed to pay an open claim from the last date of payment to the reserve valuation date.

Credit Health-The claim liability consists of credit disability. This line of business has substantially all claims settled and paid in less than five years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2020	
	Years ended December 31,						
Accident Year	2016*	2017*	2018*	2019*	2020	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2016	$ 4,323	$ 3,975	$ 3,914	$ 4,029	$ 3,865	$ 22	3,593
2017		4,555	4,852	4,773	4,820	81	3,773
2018			4,631	4,163	4,155	118	3,535
2019				3,902	3,705	230	2,972
2020					3,736	540	1,963
				Total	$ 20,281		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	Years ended December 31,				
Accident Year	2016*	2017*	2018*	2019*	2020
2016	$ 1,300	$ 2,745	$ 3,330	$ 3,630	$ 3,759
2017		1,389	3,328	4,058	4,438
2018			1,473	2,930	3,598
2019				1,208	2,618
2020					1,179
				Total	$ 15,592
All outstanding liabilities before 2016, net of reinsurance*					-
Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 4,689

**Unaudited supplementary information.*

The following table is supplementary information. A 10-year average annual percentage payout of incurred claims is shown below:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
Auto Liability	33.5%	29.2%	15.5%	9.6%	5.8%	2.2%	1.2%	0.4%	0.5%	2.1%
Non-Auto Liability	17.6%	20.7%	16.1%	14.0%	8.2%	4.9%	3.2%	1.7%	0.8%	12.8%
Commercial Multi-Peril	36.3%	15.7%	8.5%	12.0%	8.9%	5.9%	3.8%	0.8%	0.3%	7.8%
Homeowners	73.9%	20.5%	2.9%	1.5%	0.4%	0.1%	0.1%	-%	-%	0.6%
Short Tail Property	88.0%	12.0%	-%	-%	-%	-%	-%	-%	-%	-%
Credit Property and Casualty	72.8%	27.2%	-%	-%	-%	-%	-%	-%	-%	-%
Credit Life	79.9%	20.1%	-%	-%	-%	-%	-%	-%	-%	-%

Table of Contents

Note 13 - Reinsurance

American National reinsures portions of certain life insurance policies to provide a greater diversification of risk and manage exposure on larger risks.
The maximum amounts that would be retained by one life insurance company (ANICO) by issue ages are shown below (in thousands):

	0-75 Years	76-80 Years	81 and Over
Individual life	$ 5,000	$ 2,000	$ 1,000
Individual accidental death	250	250	250
Credit life	100	100	100
Group life	100	100	100
Total	**$ 5,450**	**$ 2,450**	**$ 1,450**

For the Property and Casualty segment, American National retains the first $
1 million of loss per workers' compensation risk and $1.5 million of loss per non-workers' compensation risk. Reinsurance covers up to $6 million of property and liability losses per risk. Additional excess property per risk coverage is purchased to cover risks up to $20 million, and excess casualty clash coverage is purchased to cover losses up to $60 million. Excess casualty clash covers losses incurred as a result of one casualty event involving multiple policies, excess policy limits and extra contractual obligations. Facultative reinsurance is purchased for individual risks attaching at $20 million as needed. Corporate catastrophe coverage is in place for losses up to $500 million. American National retains the first $17.5 million of each catastrophe. Catastrophe aggregate reinsurance coverage is also purchased and is provided by two contracts. The first contract provides for $30 million of coverage after $104 million of aggregated catastrophe losses has been reached. The first $25 million of each catastrophe loss net of other reinsurance contributes to the $104 million aggregation of losses. The second aggregate contract is the Second and Third Event Property Catastrophe Excess cover. This cover provides $15 million of protection excess of the $10 million retention per catastrophe. The reinsurance protection follows satisfaction of a $13.5 million AAD. This cover acts to reduce the retention on large second and third catastrophe events to $10 million following a first large catastrophe and includes one automatic reinstatement at 100%.

American National remains primarily liable with respect to any reinsurance ceded and would bear the entire loss if the reinsurer does not meet their obligations under any reinsurance treaties. American National had the following recoverables from reinsurance, net of allowance for credit losses (in thousands):

	December 31,	
	2020	2019
Reinsurance recoverables	$ 414,359	$ 411,830

None of the amount outstanding at December 31, 2020 is the subject of litigation or is in dispute with the reinsurers involved. Management believes the unfavorable resolution of any dispute that may arise would not have a material impact on American National's consolidated financial statements.

The amounts in the consolidated financial statements include the impact of reinsurance. Premiums written and earned are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
WRITTEN			
Direct	$ 2,533,278	$ 2,500,176	$ 2,545,747
Reinsurance assumed	591,457	578,656	646,171
Reinsurance ceded	(883,187)	(865,369)	(881,711)
Net	**$ 2,241,548**	**$ 2,213,463**	**$ 2,310,207**
EARNED			
Direct	$ 2,629,403	$ 2,464,870	$ 2,499,584
Reinsurance assumed	291,945	236,504	286,165
Reinsurance ceded	(703,274)	(518,580)	(557,556)
Net	**$ 2,218,074**	**$ 2,182,794**	**$ 2,228,193**

Note 13 - Reinsurance - (Continued)

Life insurance in-force and related reinsurance amounts are shown below (in thousands):

	December 31,		
	2020	2019	2018
Direct life insurance in-force	$ 128,075,765	$ 117,886,265	$ 110,125,270
Reinsurance risks assumed from other companies	171,433	218,020	230,845
Reinsurance risks ceded to other companies	(24,006,683)	(24,913,905)	(26,601,422)
Net life insurance in-force	**$ 104,240,515**	**$ 93,190,380**	**$ 83,754,693**

Note 14 - Federal Income Taxes

A reconciliation of the effective tax rate to the statutory federal tax rate is shown below (in thousands, except percentages):

	Years ended December 31,					
	2020		2019		2018	
	Amount	Rate	Amount	Rate	Amount	Rate
Income tax expense before tax on equity in earnings of unconsolidated affiliates	$ 113,021	19.5%	$ 145,819	18.3%	$ 29,643	18.2%
Tax on equity in earnings of unconsolidated affiliates	8,918	1.5	21,735	2.7	4,469	2.8
Total expected income tax expense at the statutory rate	**121,939**	**21.0**	**167,554**	**21.0**	**34,112**	**21.0**
Tax-exempt investment income	(4,262)	(0.7)	(3,969)	(0.5)	(3,323)	(2.0)
Deferred tax change	2,816	0.5	(519)	(0.1)	(4,354)	(2.7)
Dividend exclusion	(3,097)	(0.5)	(3,628)	(0.5)	(4,080)	(2.5)
Miscellaneous tax credits, net	(7,484)	(1.3)	(7,090)	(0.9)	(7,802)	(4.8)
Low income housing tax credit expense	4,923	0.8	6,394	0.8	6,231	3.8
Change in valuation allowance	(625)	(0.1)	383	-	2,700	1.7
Tax accrual adjustment	-	-	5,350	0.7	(2,893)	(1.8)
Return to provision	-	-	1,007	0.1	(20,301)	(12.5)
Other items, net	2,397	0.4	(65)	(0.1)	1,155	0.6
Total	**$ 116,607**	**20.1%**	**$ 165,417**	**20.5%**	**$ 1,445**	**0.8%**

As of December 31, 2020, American National had no material net operating loss or tax credit carryforwards.

American National's federal income tax returns for tax years 2016 to 2019 are subject to examination by the Internal Revenue Service. In April 2019, American National received notice from the Internal Revenue Service of its intent to audit tax years 2013 to 2016. In September 2020, American National reached a settlement with the Internal Revenue Service and the audit of tax years 2013, 2014, 2015 and 2016 is now closed. The settlement had no impact on our consolidated statements of financial position or consolidated statements of operations. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld.

As of December 31, 2020, American National had no provision for uncertain tax positions and no provision for penalties or interest. In addition, management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would impact American National's effective tax rate.

Note 14 - Federal Income Taxes - (Continued)

The tax effects of temporary differences that gave rise to the deferred tax assets and liabilities are shown below (in thousands):

	December 31,	
	2020	2019
DEFERRED TAX ASSETS		
Invested assets, principally due to impairment losses	$ 19,413	$ 16,760
Investment in real estate and other invested assets, principally due to investment valuation allowances	33,583	9,680
Policyholder funds, principally due to policy reserve discount	57,572	76,506
Policyholder funds, principally due to unearned premium reserve	23,225	25,726
Participating policyholders' surplus	41,593	41,533
Commissions and other expenses	9,057	3,495
Other assets	2,492	11,291
Tax carryforwards	1,638	2,344
Gross deferred tax assets before valuation allowance	**188,573**	**187,335**
Valuation allowance	(2,458)	(3,083)
Gross deferred tax assets after valuation allowance	**186,115**	**184,252**
DEFERRED TAX LIABILITIES		
Marketable securities, principally due to net unrealized gains	388,004	278,144
Investment in bonds, principally due to differences between GAAP and tax basis	16,041	15,004
Deferred policy acquisition costs, due to difference between GAAP and tax amortization methods	199,152	218,795
Property, plant and equipment, principally due to difference between GAAP and tax depreciation methods	19,185	20,812
Pension	1,549	1,833
Other liabilities	40,531	44,192
Gross deferred tax liabilities	**664,462**	**578,780**
Total net deferred tax liability	**$ 478,347**	**$ 394,528**

GAAP requires us to evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if necessary, to reduce our deferred tax assets to an amount that is more-likely-than-not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. There were no material changes to our valuation allowance recorded during the years ended December 31, 2020 and 2019. Although realization is not assured, management believes it is more-likely-than-not that our remaining deferred tax assets will be realized and that as of December 31, 2020, no additional valuation allowance is required.

Table of Contents

Note 15 - Accumulated Other Comprehensive Income (Loss)

The components of and changes in the accumulated other comprehensive income (“AOCI”), and the related tax effects, are shown below (in thousands):

	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	**$ 720,911**	**$ (76,562)**	**$ (2,133)**	**$ 642,216**
Amounts reclassified from AOCI (net of tax benefit $561 and expense $1,532)	(2,111)	5,764	-	3,653
Unrealized holding losses arising during the period (net of tax benefit $46,812)	(183,981)	-	-	(183,981)
Unrealized adjustment to DAC (net of tax expense $10,903)	41,017	-	-	41,017
Unrealized losses on investments attributable to participating policyholders’ interest (net of tax expense $2,343)	8,814	-	-	8,814
Actuarial gain arising during the period (net of tax expense of $4,402)	-	16,562	-	16,562
Foreign currency adjustment (net of tax benefit $239)	-	-	(900)	(900)
Cumulative effect of changes in accounting (net of tax benefit $334,955)	(627,119)	-	-	(627,119)
Balance at December 31, 2018	**(42,469)**	**(54,236)**	**(3,033)**	**(99,738)**
Amounts reclassified from AOCI (net of tax benefit $213 and expense $1,491)	(800)	5,607	-	4,807
Unrealized holding gains arising during the period (net of tax expense $70,808)	266,373	-	-	266,373
Unrealized adjustment to DAC (net of tax benefit $18,270)	(68,733)	-	-	(68,733)
Unrealized gains on investments attributable to participating policyholders’ interest (net of tax benefit $3,372)	(12,684)	-	-	(12,684)
Actuarial gain arising during the period (net of tax expense $2,629)	-	9,888	-	9,888
Foreign currency adjustment (net of tax expense $104)	-	-	390	390
Cumulative effect of changes in accounting	16,164	(16,491)	(458)	(785)
Balance at December 31, 2019	**157,851**	**(55,232)**	**(3,101)**	**99,518**
Amounts reclassified from AOCI (net of tax benefit $2,092 and expense $1,018)	(7,870)	3,831	-	(4,039)
Unrealized holding gains arising during the period (net of tax expense $52,808)	198,657	-	-	198,657
Unrealized adjustment to DAC (net of tax benefit $14,380)	(54,094)	-	-	(54,094)
Unrealized gains on investments attributable to participating policyholders’ interest (net of tax benefit $632)	(2,378)	-	-	(2,378)
Actuarial loss arising during the period (net of tax benefit $4,181)	-	(15,729)	-	(15,729)
Foreign currency adjustment (net of tax expense $62)	-	-	235	235
Balance at December 31, 2020	**$ 292,166**	**$ (67,130)**	**$ (2,866)**	**$ 222,170**

Table of Contents

Note 16 - Stockholders' Equity and Noncontrolling Interests

The holding company reorganization effective July 1, 2020, provided for the automatic conversion of each share of ANICO common stock, par value of $1.00 per share, issued and outstanding immediately prior to the effective time of the reorganization, into one duly issued, fully paid and non-assessable share of the common stock, par value $0.01 per share, of ANAT. ANAT has one class of common stock with 50,000,000 authorized shares. Upon the effective date of the holding company reorganization, ANAT retired 3,945,249 shares of common stock that were held in treasury at ANICO prior to the reorganization.
The number of shares outstanding at the dates indicated are shown below:

	Years ended December 31,		
	2020	2019	2018
Common stock			
Shares issued	26,887,200	30,832,449	30,832,449
Treasury shares	-	(3,945,249)	(3,947,000)
Outstanding shares	**26,887,200**	**26,887,200**	**26,885,449**
Restricted shares	(10,000)	(10,000)	(10,000)
Unrestricted outstanding shares	**26,877,200**	**26,877,200**	**26,875,449**

Stock-based Compensation

American National has made grants of Stock Appreciation Rights ("SAR"), Restricted Stock ("RS"), and Restricted Stock Units ("RSU"), pursuant to a stock-based compensation plan. The term for granting additional awards under such plan expired in 2019. Pursuant to the plan, grants were made to certain officers meeting established performance objectives, and grants were made to directors as compensation and to align their interests with those of other shareholders. In addition, American National has made grants to directors and advisory directors of RSUs that are cash-settled only, with no provision for conversion to stock. 8,250 of such cash-settled RSUs were granted during the third quarter of 2020 and are currently outstanding as shown in the table below.

SAR, RS and RSU information for the periods indicated are shown below:

	SAR		RS Shares		RSUs	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Units	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2017	**2,586**	**$ 106.70**	**74,000**	**$ 110.19**	**52,765**	**$ 106.26**
Granted	-	-	-	-	8,250	121.93
Exercised	(650)	99.79	(64,000)	114.90	(41,949)	106.94
Forfeited	-	-	-	-	(750)	121.93
Expired	(1,601)	114.17	-	-	-	-
Outstanding at December 31, 2018	**335**	**84.41**	**10,000**	**80.05**	**18,316**	**111.12**
Granted	-	-	-	-	8,250	113.19
Exercised	-	-	-	-	(18,316)	111.12
Forfeited	-	-	-	-	-	-
Expired	(269)	77.90	-	-	-	-
Outstanding at December 31, 2019	**66**	**110.83**	**10,000**	**80.05**	**8,250**	**113.19**
Granted	-	-	-	-	8,250	75.35
Exercised	-	-	-	-	(8,250)	113.19
Forfeited	-	-	-	-	-	-
Expired	(66)	110.83	-	-	-	-
Outstanding at December 31, 2020	**-**	**$ -**	**10,000**	**$ 80.05**	**8,250**	**$ 75.35**

Note 16 - Stockholders' Equity and Noncontrolling Interests - (Continued)

	SAR	RS Shares	RSUs
Weighted-average contractual remaining life (in years)	0.0	2.2	0.3
Exercisable shares	-	N/A	N/A
Weighted-average exercise price	$ -	$ 80.05	$ 75.35
Weighted-average exercise price exercisable shares	-	N/A	N/A
Compensation expense (credit)			
Year ended December 31, 2020	$ (1,000)	$ 80,000	$ 449,000
Year ended December 31, 2019	15,000	80,000	1,168,000
Year ended December 31, 2018	(28,000)	328,000	1,098,000
Fair value of liability award			
December 31, 2020	$ -	N/A	$ 793,000
December 31, 2019	1,000	N/A	971,000

The SARs give the holder the right to cash compensation based on the difference between the stock price on the grant date and the stock price on the exercise date. The SARs vest at a rate of 20% per year for five years and expire five years after vesting. All remaining SARs expired on May 1, 2020.

RS awards entitle the participant to full dividend and voting rights. Each RS share awarded has the value of one share of restricted stock and vests 10 years from the grant date. Unvested shares are restricted as to disposition, and are subject to forfeiture under certain circumstances. Compensation expense is recognized over the vesting period. The restrictions on these awards lapse after 10 years and most of these awards feature a graded vesting schedule in the case of the retirement, death or disability of an award holder. Restricted stock awards for 350,334 shares have been granted at an exercise price of zero, of which 10,000 shares are unvested.

RSU awards to our directors and advisory directors are settled in cash based upon the market price of our common stock after one-year or earlier upon death, disability or retirement from service after age 65. During the twelve months ended December 31, 2020, 8,250 RSUs were granted and will vest on May 1, 2021 and will be settled in cash.

Earnings per Share

Basic earnings per share were calculated using a weighted average number of shares outstanding. Diluted earnings per share include RS and RSU award shares issued in 2019 and 2018. RSUs issued in 2020 may only be settled in cash.

	Years ended December 31,		
	2020	2019	2018
Weighted average shares outstanding	26,878,679	26,882,691	26,886,357
Incremental shares from RS awards and RSUs	8,446	8,552	30,286
Total shares for diluted calculations	**26,887,125**	**26,891,243**	**26,916,643**
Net income attributable to American National (in thousands)	$ 467,505	$ 620,363	$ 158,995
Basic earnings per share	$ 17.39	$ 23.08	$ 5.91
Diluted earnings per share	$ 17.38	$ 23.07	$ 5.91

Statutory Capital and Surplus

Risk Based Capital ("RBC") is a measure insurance regulators use to evaluate the capital adequacy of American National's insurance subsidiaries. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level at least 200% of the authorized control level RBC are required to take certain actions. At December 31, 2020 and 2019, ANICO's statutory capital and surplus was $3.6 billion and $3.5 billion, respectively. All of our other insurance subsidiaries had statutory capital and surplus at December 31, 2020 and 2019, above 200% of the authorized control level, except for ANPAC Louisiana Insurance Company ("ANPLA") at December 31, 2020. At December 31, 2020 and December 31, 2019, ANPLA's statutory capital and surplus was $68.5 million and $77.0 million, which resulted in an RBC level of 194% and 280% of the authorized control level, respectively. This decrease in RBC of ANPLA is primarily driven by an increase in homeowners catastrophe losses impacting the current year operating results in 2020. We are actively managing our homeowners exposure of ANPLA, will continue to monitor the surplus levels and will be addressing rate adequacy through future planned underwriting and rate actions.

Note 16 - Stockholders' Equity and Noncontrolling Interests - (Continued)

American National's insurance subsidiaries prepare financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of each subsidiary's state of domicile, which include certain components of the National Association of Insurance Commissioners' Codification of Statutory Accounting Principles ("NAIC Codification"). NAIC Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting practices continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the statutory capital and surplus of our insurance subsidiaries.

Statutory accounting differs from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, and valuing securities on a different basis. In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus.

One of American National's insurance subsidiaries has been granted a permitted practice from the Missouri Department of Insurance to record as the valuation of its investment in a wholly-owned subsidiary that is the attorney-in-fact for a Texas domiciled insurer, the statutory capital and surplus of the Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of both ANICO and the Missouri domiciled insurance subsidiary by $75.3 million and $70.3 million at December 31, 2020 and 2019, respectively. The statutory capital and surplus of both ANICO and the Missouri domiciled insurance subsidiary would have remained above the Company action level RBC had it not used the permitted practice.

The statutory capital and surplus and net income (loss) of our life and property and casualty insurance entities in accordance with statutory accounting practices are shown below (in thousands):

	December 31,	
	2020	2019
Statutory capital and surplus		
Life insurance entities	$ 2,188,808	$ 2,159,770
Property and casualty insurance entities	1,463,179	1,329,782

	Years ended December 31,		
	2020	2019	2018
Statutory net income (loss)			
Life insurance entities	$ (25,178)	$ 47,133	$ 59,909
Property and casualty insurance entities	127,207	96,269	66,680

Dividends

Dividends are paid on a quarterly basis. We paid a quarterly dividend of $0.82 per share for each quarter for the years ended December 31, 2020 and 2019, and we expect to continue to pay regular cash dividends, although there is no assurance as to future dividends because they depend on future earnings, capital requirements and financial conditions.

The amount of dividends paid by our insurance company subsidiaries is restricted by insurance law. These restrictions are based, in part, on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior regulatory approval. Dividends in larger amounts, or extraordinary dividends, are subject to approval by the insurance commissioner of the relevant state of domicile. For example, restrictions applicable to Texas-domiciled life insurance companies like ANICO limit the payment of dividends to the greater of the prior year's statutory net income from operations, or 10% of prior year statutory surplus, in each case determined in accordance with statutory accounting principles. ANICO is permitted, without prior approval of the Texas Department of Insurance, to pay total dividends of $363.9 million during 2021.

Noncontrolling Interests

American National County Mutual Insurance Company ("County Mutual") is a mutual insurance company owned by its policyholders. ANICO has a management agreement that effectively gives it control of County Mutual. As a result, County Mutual is included in the consolidated financial statements of American National. Policyholder interests in the financial position of County Mutual are reflected as noncontrolling interest of $6.8 million at December 31, 2020 and 2019.

American National Group, Inc. and its subsidiaries exercise control or ownership of various joint ventures, resulting in their consolidation into American National's consolidated financial statements. The interests of the other partners in the consolidated joint ventures are shown as a noncontrolling deficit of $0.9 million and $0.7 million at December 31, 2020 and 2019, respectively.

Table of Contents

Note 17 - Segment Information

Management organizes the business into five operating segments:

•**Life**-consists of whole, term, universal, indexed and variable life insurance. Products are primarily sold through career, multiple-line, and independent agents as well as direct marketing channels.

•**Annuity**-consists of fixed, indexed, and variable annuity products. Products are primarily sold through independent agents, brokers, and financial institutions, along with multiple-line and career agents.

•**Health**-consists of Medicare Supplement, stop-loss, other supplemental health products and credit disability insurance. Products are typically distributed through independent agents and managing general underwriters.

•**Property and Casualty**-consists of personal, agricultural and targeted commercial coverages and credit-related property insurance. Products are primarily sold through multiple-line and independent agents or managing general agents.

•**Corporate and Other**-consists of net investment income from investments and certain expenses not allocated to the insurance segments and revenues and related expenses from non-insurance operations.

The accounting policies of the segments are the same as those described in Note 2, Summary of Significant Accounting Policies and Practices, of the Notes to the Consolidated Financial Statements. All revenues and expenses specifically attributable to policy transactions are recorded directly to the appropriate operating segment. Revenues and expenses not specifically attributable to policy transactions are allocated to each segment as follows:

•Recurring income from bonds and mortgage loans is allocated based on the assets allocated to each line of business at the average yield available from these assets.

•Net investment income from all other assets is allocated to the insurance segments in accordance with the amount of capital allocated to each segment, with the remainder recorded in the Corporate and Other segment.

•Expenses are charged to segments through direct identification and allocations based upon various factors.

The following summarizes total assets by operating segments (in thousands):

	Years ended December 31,	
	2020	**2019**
Total assets		
Life	$ 7,111,991	$ 6,825,120
Annuity	13,642,357	13,808,302
Health	515,841	511,440
Property and Casualty	2,716,896	2,570,818
Corporate and Other	5,480,730	4,881,886
Total	**$ 29,467,815**	**$ 28,597,566**

Note 17 - Segment Information - (Continued)

The results of operations measured as the income (loss) before federal income taxes and other items by operating segments are summarized below (in thousands):

	Year ended December 31, 2020					
	Life	Annuity	Health	Property & Casualty	Corporate & Other	Total
PREMIUMS AND OTHER REVENUES						
Premiums	$ 396,099	$ 92,866	$ 168,805	$ 1,560,304	$ -	$ 2,218,074
Other policy revenues	295,263	15,483	-	-	-	310,746
Net investment income	261,389	570,003	8,637	63,949	29,707	933,685
Net realized investment gains	-	-	-	-	35,660	35,660
Change in investment credit loss	-	-	-	-	(102,603)	(102,603)
Net gains on equity securities	-	-	-	-	356,281	356,281
Other income	2,084	2,716	19,598	12,779	3,379	40,556
Total premiums and other revenues	**954,835**	**681,068**	**197,040**	**1,637,032**	**322,424**	**3,792,399**
BENEFITS, LOSSES AND EXPENSES						
Policyholder benefits	533,925	214,158	-	-	-	748,083
Claims incurred	-	-	116,122	1,005,620	-	1,121,742
Interest credited to policyholders' account balances	75,943	245,099	-	-	-	321,042
Commissions for acquiring and servicing policies	167,548	55,910	30,182	299,960	-	553,600
Other operating expenses	182,395	48,359	39,265	202,503	42,891	515,413
Change in deferred policy acquisition costs	(53,756)	48,298	(307)	87	-	(5,678)
Total benefits, losses and expenses	**906,055**	**611,824**	**185,262**	**1,508,170**	**42,891**	**3,254,202**
Income before federal income tax and other items	**$ 48,780**	**$ 69,244**	**$ 11,778**	**$ 128,862**	**$ 279,533**	**$ 538,197**

	Year ended December 31, 2019					
	Life	Annuity	Health	Property & Casualty	Corporate & Other	Total
PREMIUMS AND OTHER REVENUES						
Premiums	$ 359,419	$ 147,139	$ 165,035	$ 1,511,201	$ -	$ 2,182,794
Other policy revenues	288,061	17,195	-	-	-	305,256
Net investment income	263,788	663,895	9,467	64,263	75,993	1,077,406
Net realized investment gains	-	-	-	-	30,751	30,751
Net gains on equity securities	-	-	-	-	422,535	422,535
Other income	1,967	2,727	20,762	11,897	14,048	51,401
Total premiums and other revenues	**913,235**	**830,956**	**195,264**	**1,587,361**	**543,327**	**4,070,143**
BENEFITS, LOSSES AND EXPENSES						
Policyholder benefits	449,252	218,576	-	-	-	667,828
Claims incurred	-	-	109,013	1,042,153	-	1,151,166
Interest credited to policyholders' account balances	80,950	431,049	-	-	-	511,999
Commissions for acquiring and servicing policies	162,203	71,350	31,624	267,457	-	532,634
Other operating expenses	190,104	50,507	41,475	201,580	41,222	524,888
Change in deferred policy acquisition costs	(26,036)	9,474	1,382	2,431	-	(12,749)
Total benefits, losses and expenses	**856,473**	**780,956**	**183,494**	**1,513,621**	**41,222**	**3,375,766**
Income before federal income tax and other items	**$ 56,762**	**$ 50,000**	**$ 11,770**	**$ 73,740**	**$ 502,105**	**$ 694,377**

Note 17 - Segment Information - (Continued)

	Year ended December 31, 2018					
	Life	Annuity	Health	Property & Casualty	Corporate & Other	Total
PREMIUMS AND OTHER REVENUES						
Premiums	$ 350,012	$ 231,027	$ 180,414	$ 1,466,740	$ -	$ 2,228,193
Other policy revenues	270,839	14,710	-	-	-	285,549
Net investment income	233,181	467,788	9,376	62,320	85,702	858,367
Net realized investment gains	-	-	-	-	16,931	16,931
Net losses on equity securities	-	-	-	-	(107,188)	(107,188)
Other income	2,266	2,611	24,185	10,628	4,840	44,530
Total premiums and other revenues	**856,298**	**716,136**	**213,975**	**1,539,688**	**285**	**3,326,382**
BENEFITS, LOSSES AND EXPENSES						
Policyholder benefits	417,702	290,611	-	-	-	708,313
Claims incurred	-	-	122,547	1,049,112	-	1,171,659
Interest credited to policyholders' account balances	54,249	261,435	-	-	-	315,684
Commissions for acquiring and servicing policies	158,657	94,879	32,516	278,002	-	564,054
Other operating expenses	190,835	46,859	41,819	186,019	31,479	497,011
Change in deferred policy acquisition costs	(33,893)	(35,135)	2,846	(5,315)	-	(71,497)
Total benefits, losses and expenses	**787,550**	**658,649**	**199,728**	**1,507,818**	**31,479**	**3,185,224**
Income (loss) before federal income tax and other items	**$ 68,748**	**$ 57,487**	**$ 14,247**	**$ 31,870**	**$ (31,194)**	**$ 141,158**

Note 18 - Pension and Postretirement Benefits

Savings Plans

American National sponsors a qualified defined contribution (401(k) plan) for all employees, and non-qualified defined contribution plans for certain employees whose otherwise eligible earnings exceed the statutory limits under the qualified plans. The total expense associated with matching contributions to these plans was $
9.9 million, $9.5 million, and $10.2 million for 2020, 2019, and 2018, respectively.

Pension Benefits

American National sponsors qualified and non-qualified defined benefit pension plans, all of which have been frozen. As such, no additional benefits are accrued through these plans for additional years of service credit or future salary increase credit, and no new participants are added to the plans. Benefits earned by eligible employees prior to the plans being frozen have not been affected.

The qualified pension plans are noncontributory. The plans provide benefits for salaried and management employees and corporate clerical employees subject to a collective bargaining agreement based on years of service and employee compensation. The non-qualified pension plans cover key employees and restore benefits that would otherwise be curtailed by statutory limits on qualified plan benefits.

Note 18 - Pension and Postretirement Benefits - (Continued)

Amounts recognized in the consolidated statements of financial position consist of (in thousands):

	Qualified		Non-qualified	
	2020	2019	2020	2019
Reconciliation of benefit obligation				
Obligation at beginning of year	$ 387,273	$ 344,974	$ 65,733	$ 68,035
Service cost	543	524	-	-
Interest cost on projected benefit obligation	13,079	14,867	1,789	2,554
Actuarial loss	50,620	48,210	6,775	3,847
Benefits paid	(23,770)	(21,302)	(8,506)	(8,703)
Obligation at end of year	**427,745**	**387,273**	**65,791**	**65,733**
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	470,101	402,579	-	-
Actual return on plan assets	65,700	88,827	-	-
Employer contributions	-	-	8,506	8,703
Benefits paid	(23,812)	(21,305)	(8,506)	(8,703)
Fair value of plan assets at end of year	**511,989**	**470,101**	**-**	**-**
Funded status at end of year	**$ 84,244**	**$ 82,828**	**$ (65,791)**	**$ (65,733)**

The components of net periodic benefit cost for the defined benefit pension plans are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Service cost	$ 543	$ 523	$ 499
Interest cost	14,868	17,421	15,846
Expected return on plan assets	(26,109)	(24,248)	(24,164)
Amortization of net actuarial loss	4,848	7,070	8,560
Net periodic cost (benefit)	**$ (5,850)**	**$ 766**	**$ 741**

Amounts related to the defined benefit pension plans recognized as a component of AOCI are shown below (in thousands):

	Years ended December 31,		
	2020	2019	2018
Actuarial gain (loss)	$ (15,061)	$ 19,615	$ 28,260
Deferred tax benefit (expense)	3,163	(4,120)	(5,934)
Cumulative effect of change in accounting	-	(16,491)	-
Other comprehensive income (loss), net of tax	**$ (11,898)**	**$ (996)**	**$ 22,326**

Amounts recognized as a component of AOCI that have not been recognized as a component of the combined net periodic benefit cost of the defined benefit pension plans, are shown below (in thousands):

	Years ended December 31,	
	2020	2019
Net actuarial loss	$ (84,976)	$ (69,915)
Deferred tax benefit	17,846	14,683
Amounts included in AOCI	**$ (67,130)**	**$ (55,232)**

Note 18 - Pension and Postretirement Benefits - (Continued)

The weighted average assumptions used are shown below:

	Used for Net Benefit Cost for year ended December 31, 2020	Used for Benefit Obligations as of December 31, 2020
Discount rate	3.51%	2.52%
Long-term rate of return	5.75	N/A

American National's funding policy for the qualified pension plans is to make annual contributions to meet the minimum funding standards of the Pension Protection Act of 2006. American National and its affiliates did not contribute to its qualified plans in 2020 and 2019 due to the substantial contribution over minimum funding standards of $60 million made in 2018. The benefits paid from the non-qualified plans were $8.5 million, $8.7 million and $8.9 million in 2020, 2019 and 2018, respectively. Future payments from the non-qualified pension benefit plans will be funded out of general corporate assets.

The following table shows pension benefit payments expected to be paid (in thousands):

2021	$	49,063
2022		32,847
2023		33,168
2024		32,882
2025		30,108
2026-2029		140,784

American National utilizes third-party pricing services to estimate fair value measurements of its pension plan assets. Refer to Note 9, Fair Value of Financial Instruments for further information concerning the valuation methodologies and related inputs utilized by the third-party pricing services. The fair values (hierarchy measurements) of the pension plan assets by asset category are shown below (in thousands):

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Asset Category				
Corporate debt securities	$ 157,933	$ -	$ 157,243	$ 690
Residential mortgage-backed securities	3,521	-	3,521	-
Mutual funds	-	-	-	-
Equity securities by sector				
Consumer goods	57,684	57,684	-	-
Energy and utilities	22,007	22,007	-	-
Finance	40,161	40,161	-	-
Healthcare	51,641	51,641	-	-
Industrials	25,827	25,827	-	-
Information technology	78,720	78,720	-	-
Other	70,230	70,230	-	-
Commercial paper	872	-	872	-
Unallocated group annuity contract	1,940	-	1,940	-
Other	1,453	1,453	-	-
Total	**$ 511,989**	**$ 347,723**	**$ 163,576**	**$ 690**

Note 18 - Pension and Postretirement Benefits - (Continued)

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Asset Category				
Corporate debt securities	$ 149,409	$ -	$ 149,409	$ -
Residential mortgage-backed securities	4,041	-	4,041	-
Mutual funds	25,594	25,594	-	-
Equity securities by sector				
Consumer goods	46,260	46,260	-	-
Energy and utilities	27,410	27,410	-	-
Finance	57,900	57,900	-	-
Healthcare	37,017	37,017	-	-
Industrials	17,996	17,996	-	-
Information technology	60,225	60,225	-	-
Other	35,597	35,597	-	-
Commercial paper	2,948	-	2,948	-
Unallocated group annuity contract	598	-	598	-
Other	5,106	5,106	-	-
Total	**$ 470,101**	**$ 313,105**	**$ 156,996**	**$ -**

The investment policy for the retirement plan assets is designed to provide the highest return commensurate with sound and prudent underwriting practices. The investment diversification goals are to have investments in cash and cash equivalents as necessary for liquidity, debt securities up to 100% and equity securities up to 75% of the total invested plan assets. The amount invested in any particular investment is limited based on credit quality, and no single investment may at the time of purchase be more than 5% of the total invested assets.

The corporate debt securities category are investment grade bonds of U.S. and foreign issuers denominated and payable in U.S. dollars from diverse industries, with a maturity of 1 to 30 years. Foreign bonds in the aggregate shall not exceed 20% of the bond portfolio. Residential mortgage-backed securities represent asset-backed securities with a maturity date 1 to 30 years with a Level 1 or 2 rating.

Equity portfolio managers have discretion to choose the degree of concentration in various issues and industry sectors for the equity securities. Permitted securities are those for which there is an active market providing liquidity for the specific security.

Commercial paper investments generally have a credit rating of A2 Moody’s or P2 by Standard & Poor’s with at least BBB rating on the issuer’s outstanding debt, or selected issuers with no outstanding debt.

Postretirement Life and Health Benefits

Under American National’s various group benefit plans for active employees, life insurance benefits are provided upon retirement for eligible participants who meet certain age and length of service requirements.

The accrued postretirement benefit obligation, included in the liability for retirement benefits, was $5.3 million and $4.7 million at December 31, 2020 and 2019, respectively. These amounts were approximately equal to the unfunded accumulated postretirement benefit obligation.

Note 19 - Commitments and Contingencies

Commitments

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobiles. The remaining long-term lease commitments at December 31, 2020 were approximately $
7.4 million.

American National had aggregate commitments at December 31, 2020 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.2 billion of which $582.7 million is expected to be funded in 2021 with the remainder funded in 2022 and beyond.

American National had a $100 million short-term variable rate borrowing facility containing a $55 million sub-feature for the issuance of letters of credit. Borrowings under the facility were at the discretion of the lender and would be used only for funding working capital requirements. As of December 31, 2020 and 2019, the outstanding letters of credit issued under the sub-feature were $3.5 million and $3.5 million, respectively, and there were no other borrowings on this facility. American National chose to non-renew the facility at the October 31, 2020 expiration date.

Federal Home Loan Bank (FHLB) Agreements

In May 2018, the Company became a member of the Federal Home Loan Bank of Dallas ("FHLB") to augment its liquidity resources. The Company initially purchased $7 million of stock to meet the FHLB's membership requirement. The FHLB member stock is recorded in other invested assets on the Company's consolidated statements of financial position. Through its membership, the Company has access to the FHLB's financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of December 31, 2020, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $72.4 million and commercial mortgage loans of approximately $1.5 billion were on deposit with the FHLB as collateral for borrowing. As of December 31, 2020, the collateral provided borrowing capacity for the $
250 million in outstanding advances. The additional borrowing capacity as of February 22, 2021 was approximately $775.2 million. The deposited securities and commercial mortgage loans are included in the Company's consolidated statements of financial position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

FHLB outstanding advance as of December 31, 2020 is shown below (in thousands, except percentages):

	Principal Amount	Interest Rate	Maturity Date
At December 31, 2020			
FHLB advance, fixed rate	$ 250,000	0.38%	4/28/2021

Guarantees

ANICO has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by ANICO. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, ANICO would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of December 31, 2020, was approximately $121.4 million, while the total cash value of the related life insurance policies was approximately $142.8 million.

Note 19 - Commitments and Contingencies - (Continued)

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on American National's consolidated financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote and no estimate of range can be made for loss contingencies that are at least reasonably possible but not accrued.

Note 20 - Related Party Transactions

American National has entered into recurring transactions and agreements with certain related parties. These include mortgage loans, management contracts, agency commission contracts, marketing agreements, health insurance contracts, and legal services.
The impact on the consolidated financial statements of significant related party transactions is shown below (in thousands):

		Dollar Amount of Transactions			Amount due from American National	
		Years ended December 31,			December 31,	
Related Party	**Financial Statement Line Impacted**	**2020**	**2019**	**2018**	**2020**	**2019**
Gal-Tex Hotel Corporation	Mortgage loan on real estate	$ -	$ 576	$ 1,647	$ -	$ -
Gal-Tex Hotel Corporation	Net investment income	-	9	107	-	-
Greer, Herz & Adams, LLP	Other operating expenses	13,451	12,088	11,173	(441)	(519)

Mortgage Loans to Gal-Tex Hotel Corporation ("Gal-Tex"): American National held a first mortgage loan which originated in 1999, with an interest rate of
7.25% and final maturity date of April 1, 2019 issued to a subsidiary of Gal-Tex, which was collateralized by a hotel property in San Antonio, Texas. This loan has been paid in full. The Moody Foundation owns 34.0% of Gal-Tex and 22.75% of American National, and the Libbie Shearn Moody Trust owns 50.2% of Gal-Tex and 37.0% of American National.

Transactions with Greer, Herz & Adams, LLP: Irwin M. Herz, Jr. is a member of the Board of Directors of American National Group, Inc. and certain of its subsidiaries, and a Partner with Greer, Herz & Adams, LLP, which serves as American National's General Counsel.

EXHIBIT 11(i)

Unaudited Quarterly Financial Statement of ANAT
for the Quarter-Ended March 31, 2023

AMERICAN NATIONAL GROUP, LLC
AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Brookfield Reinsurance Ltd., "Brookfield Reinsurance")

Condensed Consolidated Financial Statements

March 31, 2023

AMERICAN NATIONAL GROUP, LLC
(A Wholly-Owned Subsidiary of Brookfield Reinsurance)

TABLE OF CONTENTS

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(In thousands)

	March 31, 2023	December 31, 2022
ASSETS		
Fixed maturity securities, bonds available-for-sale, at estimated fair value (Allowance for credit losses of $21,559 in 2023 and $28,708 in 2022) (Amortized cost $14,264,968 in 2023 and $14,447,537 in 2022)	$ 13,748,211	$ 13,512,819
Equity securities, at estimated fair value	432,366	428,369
Mortgage loans on real estate, net of allowance for credit losses of $49,431 in 2023 and $38,266 in 2022	5,700,492	5,546,175
Policy loans	376,089	374,481
Real estate and real estate partnerships, net of accumulated depreciation of $308,096 in 2023 and $304,402 in 2022	1,063,888	1,035,719
Investment funds	1,292,013	1,226,471
Short-term investments	2,126,281	1,836,678
Other invested assets	213,343	198,079
Total investments	**24,952,683**	**24,158,791**
Cash and cash equivalents	1,703,041	1,388,943
Accrued investment income	297,470	288,841
Reinsurance recoverables	426,249	444,170
Prepaid reinsurance premiums	42,430	46,754
Premiums due and other receivables	476,264	436,264
Deferred policy acquisition costs	712,416	664,478
Property and equipment, net of accumulated depreciation of $319,350 in 2023 and $314,288 in 2022	189,740	186,008
Current tax receivable	16,668	22,326
Deferred tax asset	382,069	439,114
Other assets	379,478	302,204
Goodwill	121,097	121,097
Separate account assets	1,098,352	1,045,217
Total assets	**$ 30,797,957**	**$ 29,544,207**
LIABILITIES		
Future policy benefits		
Life	$ 3,465,415	$ 3,336,141
Annuity	1,630,012	1,466,192
Health	44,859	56,938
Policyholders' account balances	14,546,290	14,309,971
Policy and contract claims	1,824,773	1,786,275
Market risk benefits, at estimated fair value	66,602	54,340
Unearned premium reserve	1,118,861	1,085,882
Other policyholder funds	323,064	322,067
Liability for retirement benefits	63,112	66,938
Long-term debt and accrued interest	1,500,000	1,500,000
Notes payable	184,175	150,913
Other liabilities	938,768	607,880
Separate account liabilities	1,098,352	1,045,217
Total liabilities	**26,804,283**	**25,788,754**
EQUITY		
Member's equity	4,137,785	4,128,892
Accumulated other comprehensive income (loss)	(218,960)	(447,707)
Total American National equity	**3,918,825**	**3,681,185**
Noncontrolling interest	74,849	74,268
Total equity	**3,993,674**	**3,755,453**
Total liabilities and equity	**$ 30,797,957**	**$ 29,544,207**

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands)

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
PREMIUMS AND OTHER REVENUE		
Premiums		
Life	$ 109,998	$ 106,216
Annuity	159,656	7,343
Health	29,019	32,465
Property and casualty	481,718	436,087
Other policy revenues	96,579	94,764
Net investment income	341,102	269,365
Net realized investment gains (losses)	(22,367)	10,277
Decrease in investment credit loss	(11,466)	(11,636)
Net losses on equity securities	(28,296)	(9,482)
Other income	11,127	10,735
Total premiums and other revenues	**1,167,070**	**946,134**
BENEFITS, LOSSES AND EXPENSES		
Policyholder benefits		
Life	121,020	164,276
Annuity	184,331	21,294
Claims incurred		
Accident and health	(2,561)	20,636
Property and casualty	348,646	270,605
Change in fair value of market risk benefit	14,318	—
Interest credited to policyholders' account balances	139,597	48,299
Future policy benefit remeasurement losses	39,212	—
Commissions for acquiring and servicing policies	179,809	157,343
Other operating expenses	177,641	138,962
Change in deferred policy acquisition costs	(47,938)	(14,116)
Total benefits, losses and expenses	**1,154,075**	**807,299**
Income before federal income tax and other items	**12,995**	**138,835**
Less: Provision (benefit) for federal income taxes		
Current	5,938	35,765
Deferred	(8,185)	(8,479)
Total provision (benefit) for federal income taxes	**(2,247)**	**27,286**
Income after federal income tax	**15,242**	**111,549**
Other components of net periodic pension costs, net of tax	(1,591)	(1,368)
Net income	**13,651**	**110,181**
Less: Net income attributable to noncontrolling interest, net of tax	4,758	1,412
Net income attributable to American National	**$ 8,893**	**$ 108,769**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In thousands)

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Net income	**$ 13,651**	**$ 110,181**
Other comprehensive income (loss), net of tax		
Change in net unrealized gains (losses) on securities	339,630	(375,020)
Change in discount rate for liability for future policyholder benefit	(105,675)	—
Change in instrument specific credit risk for market risk benefit	(6,790)	—
Foreign currency transaction and translation adjustments	136	312
Defined benefit pension plan adjustment	1,446	2,843
Total other comprehensive loss, net of tax	**228,747**	**(371,865)**
Total comprehensive income (loss)	**242,398**	**(261,684)**
Less: Comprehensive income attributable to noncontrolling interest	4,758	1,412
Total comprehensive income (loss) attributable to American National	**$ 237,640**	**$ (263,096)**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(In thousands, except per share data)

Successor	Member's Equity	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Member's Equity
Balance at January 1, 2023	**$ 4,128,892**	**$ (447,707)**	**$ 74,268**	**$ 3,755,453**
Other comprehensive income	—	228,747	—	228,747
Net income attributable to American National	8,893	—	—	8,893
Contributions/(Distributions)	—	—	(4,177)	(4,177)
Net income attributable to noncontrolling interest	—	—	4,758	4,758
Balance at March 31, 2023	**$ 4,137,785**	**$ (218,960)**	**$ 74,849**	**$ 3,993,674**

Predecessor	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance at January 1, 2022	**$ 269**	**$ 47,762**	**$ 147,054**	**$ 6,799,283**	**$ 7,691**	**$ 7,002,059**
Amortization of restricted stock	—	20	—	—	—	20
Other comprehensive loss	—	—	(371,865)	—	—	(371,865)
Net income attributable to American National	—	—	—	108,769	—	108,769
Cash dividends to common stockholders (declared per share of $0.82)	—	—	—	(22,048)	—	(22,048)
Contributions/(Distributions)	—	—	—	—	214	214
Net income attributable to noncontrolling interest	—	—	—	—	1,412	1,412
Balance at March 31, 2022	**$ 269**	**$ 47,782**	**$ (224,811)**	**$ 6,886,004**	**$ 9,317**	**$ 6,718,561**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
OPERATING ACTIVITIES		
Net income	$ 13,651	$ 110,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment gains	(491)	(10,386)
Realized investment losses	22,858	109
Unrealized gain (loss) on investments and derivatives	3,415	(64,072)
Realized (gain) loss on investments and derivatives	20,835	108,737
Income tax expense	5,938	—
Increase (decrease) in investment credit loss	11,466	11,636
Accretion of premiums, discounts and loan origination fees	(20,044)	5,093
Net capitalized interest on policy loans and mortgage loans	(18,259)	(8,072)
Depreciation	11,383	12,171
Interest credited to policyholders' account balances	139,597	48,299
Charges to policyholders' account balances	(96,579)	(94,764)
Deferred federal income tax expense (benefit)	(8,185)	(8,479)
Income from equity method investments	(28,296)	(67,096)
Distributions from unconsolidated affiliates	36,416	68,663
Changes in:		
Policyholder liabilities	177,212	14,777
Market risk benefit	4,959	—
Deferred policy acquisition costs	(47,938)	(14,116)
Reinsurance payables (recoverables)	20,875	2,321
Premiums due and other receivables	(40,000)	(16,388)
Prepaid reinsurance premiums	4,324	2,360
Accrued investment income	(8,629)	(18,719)
Current tax payable	—	34,653
Liability for retirement benefits	(5,988)	511
Other, net	(6,888)	(11,134)
Net cash provided by operating activities	**191,633**	**106,285**
INVESTING ACTIVITIES		
Proceeds from sale/maturity/prepayment of:		
Corporate bonds	1,229,363	382,375
Preferred shares	22,912	67,291
Commercial paper	—	8,247,529
Government bonds and treasuries	2,498,633	47,075
Real estate and real estate partnerships	—	8,275
Mortgages	96,682	314,111
Private equity and other	6,856	62,189
Distributions from equity method investments	18,823	58,926
Payment for the purchase/origination of:		
Corporate bonds	(1,091,604)	(1,956,451)
Preferred shares	(55,205)	(26,307)
Government bonds and treasuries	(2,433,739)	(8,652)
Real estate and real estate partnerships	(36,215)	(14,545)
Mortgages	(245,929)	(253,967)
Private equity and other	(8,542)	(44,886)
Commercial paper	—	(7,622,333)

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)
(In thousands)

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Additions to property and equipment	(540)	(10,533)
Contributions to real estate and real estate partnerships	(86,283)	—
Contributions to equity method investments	(25,728)	(77,190)
Change in short-term investments	13,878	
Change in collateral held for derivatives	35,755	(53,718)
Other, net	(3,395)	5,464
Net cash used in investing activities	**(64,278)**	**(875,347)**
FINANCING ACTIVITIES		
Policyholders' account deposits	724,830	343,049
Policyholders' account withdrawals	(542,971)	(295,520)
Change in notes payable	—	9,100
Dividends to stockholders	—	(22,048)
Payments to noncontrolling interest	4,884	(644)
Net cash provided by financing activities	**186,743**	**33,937**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**314,098**	**(735,125)**
Cash and cash equivalents at beginning of the period	1,388,943	1,930,882
Cash and cash equivalents at end of the period	**$ 1,703,041**	**$ 1,195,757**

See accompanying notes to the unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Operations

American National Group, LLC ("ANAT", or the "Company"), through its consolidated subsidiaries (collectively "American National") offers a broad portfolio of insurance products, including individual and group life insurance, annuities, pension risk transfer, health insurance, and property and casualty insurance. Business is conducted in all 50 states, the District of Columbia and Puerto Rico.

On August 6, 2021, ANAT entered into an Agreement and Plan of Merger (the "Merger Agreement") with Brookfield Reinsurance Ltd., formerly known as Brookfield Asset Management Reinsurance Partners Ltd., an exempted company limited by shares existing under the laws of Bermuda, and Freestone Merger Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Brookfield Reinsurance ("Merger Sub"). On May 25, 2022 (the "Closing Date" or "Merger Date"), upon the terms and subject to the conditions of the Merger Agreement, Merger Sub merged with and into the Company (the "Merger"), with the Company continuing as the surviving entity, which became an indirect, wholly-owned subsidiary of Brookfield Reinsurance. The Merger was unanimously approved by the Company's board of directors. The Company received the requisite stockholder approval required under Delaware law for the adoption of the Merger Agreement. The Company has ceased being a registrant with the Securities and Exchange Commission as of the Closing Date. Effective September 30, 2022, the Company converted from a Delaware corporation to a Delaware limited liability company. As a result, the successor period consists of the three months ended March 31, 2023 and the predecessor period consists of the three months ended March 31, 2022.

Note 2 – Summary of Significant Accounting Policies and Practices

Basis Presentation

The condensed consolidated financial statements and notes thereto have been prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and are reported in U.S. currency. American National consolidates entities that are wholly-owned and those in which American National owns less than 100% but controls the voting rights, as well as variable interest entities in which American National is the primary beneficiary. Intercompany balances and transactions with consolidated entities have been eliminated. Investments in unconsolidated affiliates, which include real estate partnerships and investment funds, are accounted for using the equity method of accounting. Certain amounts in prior years have been reclassified to conform to current year presentation.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. The interim condensed consolidated financial statements and notes should be read in conjunction with the annual consolidated financial statements and notes thereto as of and for the year ended December 31, 2022, which are posted on the Company website at www.americannational.com. The condensed consolidated results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

The preparation of the consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported consolidated financial statement balances. Actual results could differ from those estimates. Except for balances affected by the adoption of Accounting Standards Update (ASU) 2018-12 noted below, the December 31, 2022 consolidated balance sheet data was derived from audited consolidated financial statements which include all disclosures required by GAAP.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree, if applicable, is initially measured at the noncontrolling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Based on the criteria outlined in ASC 805, *Business Combinations* the Company was deemed the accounting acquiree in the Merger. As a result of the completed Merger, for accounting purposes, our financial statements and notes are presented as "Predecessor" for historical periods prior to the Closing Date and "Successor" for the period after the Closing Date. In accordance with accounting for business combinations, assets and liabilities were adjusted to their fair values as of the Closing Date ("Purchase GAAP Accounting" or "PGAAP"). Additionally, we have elected to apply push-down accounting to reflect the Company's assets and liabilities at fair value. To differentiate between periods, our financial statements and notes include a black line division between columns titled "Predecessor" and "Successor". This black line division has been placed to recognize Purchase GAAP Accounting adjustments made and the resulting effect on comparability between the two periods.

ASC 805, *Business Combinations* allows for a measurement period of up to 12 months from the business combination date. Accounting for the business combination is not finalized as of December 31, 2022, and is pending completion of purchase accounting. The financial statements at December 31, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation will occur before the end of the measurement period.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded at fair value at the date of acquisition. The following table summarizes the fair value of assets acquired and liabilities assumed as of May 25, 2022:

American National Group Inc. Consolidated Balance Sheet*		Company Opening Balance Sheet
ASSETS		
Fixed maturity securities, bonds available for sale, at estimated fair value	$	15,312,504
Equity securities, at estimated fair value		81,925
Mortgage loans on real estate, net of allowance for credit losses		5,136,421
Policy loans		367,616
Real estate and real estate partnerships, net of accumulated depreciation		968,264
Investment funds		987,577
Short-term investments		1,465,662
Other invested assets		142,027
Total investments		**24,461,996**
Cash and cash equivalents		1,021,469
Accrued investment income		100,544
Reinsurance recoverables		454,867
Prepaid reinsurance premiums		45,711
Premiums due and other receivables		437,462
Property and equipment, net of accumulated depreciation		175,079
Deferred tax assets, net		374,185
Prepaid pension		149,094
Intangible asset - VOBA		316,644
Other assets		166,030
Goodwill		121,097
Separate account assets		1,123,432
Total assets		**28,947,610**
LIABILITIES		
Future policy benefits		
Life		3,069,201
Annuity		1,546,881
Health		46,352
Policyholders' account balances		13,880,194
Policy and contract claims		1,705,623
Unearned premium reserve		1,072,989
Other policyholder funds		323,567
Liability for retirement benefits		73,926
Intangible liability - VOBA (LAH)		440,907
Debt		1,494,629
Notes payable		158,492
Current tax payable		13,610
Other liabilities		375,143
Separate account liabilities		1,123,432
Total liabilities		**25,324,946**
EQUITY		
Additional paid-n capital		3,612,783
Total American National equity		**3,612,783**
Noncontrolling interest		9,881
Total equity		**3,622,664**
Total liabilities and equity	**$**	**28,947,610**

*These amounts have not been adjusted for the adoption of ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI") (refer to transition date disclosure below)

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Adoption of ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts

The Company adopted ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI") effective January 1, 2023 with a transition date of May 25, 2022 using a full retrospective approach. LDTI resulted in significant changes to the measurement, presentation and disclosure requirements for long-duration insurance contracts. A summary of the most significant changes follows:

(1) Guaranteed benefits associated with certain annuity contracts have been classified and presented separately on the consolidated balance sheets as Market Risk Benefits (MRB). MRBs are now measured at estimated fair value through net income and reported separately on the consolidated statements of operations, except for nonperformance risk changes, which will be recognized in OCI.

(2) Cash flow assumptions used to measure the liability for LFPBs on traditional long-duration contracts (including term and non-participating whole life insurance and immediate annuities) have been updated on an annual basis.

(3) The discount rate assumption used to measure the liability for traditional long-duration contracts is now based on an upper-medium grade discount rate with changes recognized in OCI.

(4) DAC for all insurance products are required to be amortized on a constant-level basis over the expected term of the contracts, using amortization methods that are not a function of revenue or profit emergence.

(5) There was a significant increase in required disclosures, including disaggregated rollforwards of insurance contract assets and liabilities supplemented by qualitative and quantitative information regarding the cash flows, assumptions, methods and judgements used to measure those balances.

The following table presents the Company's significant accounting policies which have changed as a result of the adoption of LDTI with cross-references to the notes which provide additional information on such policies.

Accounting Policy	Note
Deferred policy acquisition costs, value of business acquired, unearned revenue and other intangibles	10
Future policy benefit liabilities	18
Policyholder account balances	18
Market risk benefits	19

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses. In accordance with ASC 805, *Business Combinations* existing DAC balance was written off as a result of the Merger. The beginning balance as of May 25, 2022 consists of the Value of Business Acquired "VOBA" at that date.

Insurance contracts are grouped into cohorts by contract type and issue year consistent with estimating the associated liability for future policy benefits. DAC is amortized on constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. DAC will be amortized over the following bases, all of which provide a constant level representation of contract term:

Product(s)	Amortization base
Traditional life products	Nominal face amount
Life contingent payout annuities	Annualized benefit amount in force
Health products	Original annual premium
Fixed deferred annuities, fixed indexed annuities, variable annuities	Policy count
Universal life products	Initial face amount

The bases used for amortization are projected using mortality and lapse assumptions that are based on American National's experience, industry data, and other factors consistent with those used for the liability for future policy benefits.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Amortization of DAC is included in the change in deferred acquisition costs in the consolidated statement of operations.

For short-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts. DAC for short duration contracts is charged to expense in proportion to premium revenue recognized.

Value of business acquired ("VOBA") is an intangible asset or liability resulting from a business combination that represents the difference between the policyholder liabilities measured in accordance with the acquiring company's accounting policies and the estimated fair value of the same acquired policyholder liabilities in-force at the acquisition date. VOBA can be either positive or negative. Positive VOBA is recorded as a component of DAC. Negative VOBA occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities, and is recorded in future policyholder benefits in the consolidated statement of financial condition.

VOBA is amortized on a straight-line basis over the remaining life of the underlying policies consistent with DAC.

Liability for future policy benefits ("LFPB") is equal to the present value of expected benefit payments and claim related expenses to be paid or on behalf of policyholders less the present value of expected net premiums to be collected from policyholders. Principal assumptions used in the establishment of the LFPB are mortality, lapse, incidence, terminations, claim-related expenses, and other contingent events as appropriate to the respective product type. American National groups contracts into annual cohorts based on product type and contract inception date for the purposes of calculating the liability for future policy benefits. A set of qualitative cohorts includes all business issued prior to the acquisition date. Another set of qualitative cohorts includes business issued between the acquisition date and year end 2022. In 2023 and beyond, there is a set of qualitative cohorts for each issue year.

American National updates its estimate of cash flows over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. American National will review cash flow assumptions, including assumptions for claim-related expenses annually in the third quarter. Assumption revisions will be reflected in the net premium ratio and LFPB calculation in the quarter in which assumptions are revised. The net premium ratio reflects cash flows from contract inception to contract termination (ie: through the claim paying period) and cannot exceed 100%. Change in the liability due to actual experience are recognized in reserve remeasurement (gains) losses in the consolidated statement of earnings.

American National measures the LFPB at each reporting period. The discount rate assumption is determined by developing a yield curve based on market observable yields for upper-medium fixed income instruments derived from an external index. The net premium ratio is not updated for changes in discount rate assumptions. The difference between the updated carrying amount of the liability for future policy benefits measured using the current discount rate assumption and the original discount rate assumption is recognized in other comprehensive income during the period.

Should the present value of actual and future expected benefits less transition LFPB balance exceed the present value of actual and future expected gross premiums, the net premium ratio is capped at 100% and a gross premium LFPB is held. The immediate charge is the amount by which the uncapped net premium ratio exceeds 100% times the present value of future expected gross premium. This assessment is performed at the cohort level.

American National periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the consolidated statements of operations in the period in which the changes occur.

Payout annuities include single premium immediate annuities, annuitizations of deferred annuities, and pension risk transfer. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as investment contracts. For life contingent annuities, the Company records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and costs, and expense assumptions. Any gross premiums received in excess of the net premium is the DPL and is recognized separately in income in a constant relationship with the discounted amount of the insurance in-force or expected future benefit payments. These liabilities are recorded in policy liabilities in the consolidated statement of financial position.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses). Dividends to participating policyholders were $9.0 million and $8.1 million at March 31, 2023 and 2022, respectively. Income of $19.0 million and $18.3 million was allocated to participating policyholders at March 31, 2023 and 2022, respectively.

For all other participating business, the allocation of dividends to participating policyowners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

Market risk benefits ("MRB") are measured at fair value at the cohort level. Total attributed fees will include explicit rider fees and will not be negative or exceed total contract fees and assessments collectible from the contract holder. There are only rider charges and surrender charges. Surrender charges will not be included in the fair value measurement, as surrender charges do not fund any future benefits. Cash flows are projected using risk-neutral scenarios generated by the company. The Company establishes MRB assets and liabilities for guaranteed minimum withdraw benefits ("GMWB") associated with equity-indexed annuity contracts.

The actuarial assumptions used in the MRB calculation are the company's best estimate assumptions. Assumptions are adjusted to reflect fair value by applying a margin for non-hedgeable risk and an adjustment for own credit spread through the discount rate. The risk-free discount rate is the scenario specific US treasury rate. The assumptions used for MRB are consistent with other fair value calculations performed by American National.

Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed.

Liabilities for unpaid claims and claim adjustment expenses ("CAE") are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and IBNR claim liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process.

Reinsurance recoverables are estimated amounts due to American National from reinsurers related to paid and unpaid ceded claims and CAE and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under our non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of IBNR using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and our estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Transition Date Impacts

Due to the acquisition of American National by Brookfield Reinsurance Partners on May 25, 2022 and the guidelines under ASC 805, Business Combinations, the inception date for all contracts issued before that date become May 25, 2022. Under purchase accounting guidelines, fair value of equity must be equal to the purchase price at the acquisition date. As a result, there will not be any impact to the opening balances of retained earnings or accumulated other comprehensive income due to the adoption of the standard on the transition date of May 25, 2022.

The transition impact of the MRBs and LFPB will be recorded to value of business acquired (VOBA) liability resulting in no impact to shareholders equity, as noted above.

The following table presents a summary of the Transition Date impacts associated with the implementation of LDTI to the consolidated balance sheet (in thousands):

	Future Policy Benefits	Market Risk Benefits	VOBA Liability
As previously reported May 25th, 2022	$ 4,662,434	$ —	$ 440,907
Reclassification of carrying amount of contracts and contract features that are market risk benefits	(107,432)	107,432	—
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(315,561)	64,580	250,981
As adjusted May 25th, 2022	**$ 4,239,441**	**$ 172,012**	**$ 691,888**

The following table represents transition impacts for future policy benefits by segment.

	Term Life	Whole Life	Annuity
As previously reported May 25th, 2022	$ 615,782	$ 1,694,351	$ 1,439,449
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(84,761)	(223,213)	(7,586)
As adjusted May 25th, 2022	**$ 531,021**	**$ 1,471,138**	**$ 1,431,863**

The following table represents the transition impact to market risk benefits by segment.

	Annuity
As previously reported May 25th, 2022	$ 107,432
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	64,580
As adjusted May 25th, 2022	**$ 172,012**

The Transition Date impacts associated with the implementation of LDTI were applied as follows:

Market risk benefits - The full retrospective transition approach for MRBs required assessing products to determine whether contract or contract features expose the Company to other than nominal capital market risk. The population of MRBs identified was then reviewed to determine the historical measurement model prior to adoption of LDTI.

At the Transition Date, the impacts to the financial statements of the full retrospective approach for MRBs include the following:

- The amounts previously recorded for these contracts within additional insurance liabilities and other insurance liabilities were reclassified to MRB liabilities;
- The difference between the fair value of the MRBs and the previously recorded carrying value at the Transition Date, included the cumulative effect of changes in nonperformance risk of the Company, was recorded as an adjustment to the opening balance of VOBA liability.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Liability for future policy benefits - The full retrospective transition approach for LFPB utilized a defined valuation premium method. This process required grouping contracts in-force as of the Transition Date into cohorts, and then calculating revised LFPB using an updated net premium ratio, best estimate cash flow assumptions without a provision for adverse deviation and the locked-in discount rate. The decrease to the liability for future policy benefits at at transition is driven by unlocking of assumptions and measurement at upper medium grade discount rates for traditional life and life contingent payout annuity business.

Due to the acquisition of American National by Brookfield Reinsurance on May 25, 2022 , the balances of deferred acquisition costs, deferred profit liability, unearned revenue, and sales inducement assets were written down to $0 at the acquisition date. As a result, there is no impact to these balances at transition.

Note 3 – Recently Issued Accounting Pronouncements

The following table presents amounts previously reported in 2022, the effect on those amounts of the change due to the adoption of ASU 2018-12 as described in Note 2, and the currently reported amounts in the Unaudited Interim Consolidated Statement of Financial Position (in thousands).

	December 31, 2022		
	As Previously Reported	Effect of Adoption	As Adjusted
Reinsurance recoverables, net of allowance for credit losses	$ 447,124	$ (2,954)	$ 444,170
Deferred policy acquisition costs	681,708	(17,230)	664,478
Deferred tax asset	527,768	(88,654)	439,114
Other assets	291,875	10,330	302,205
Total assets	**$ 29,642,716**	**$ (98,508)**	**$ 29,544,208**
Future policy benefits			
Life	$ 3,584,520	$ (248,379)	$ 3,336,141
Annuity	1,713,528	(247,336)	1,466,192
Health	47,045	9,893	56,938
Market risk benefit liabilities	—	54,340	54,340
Total liabilities	**26,220,236**	**(431,481)**	**25,785,250**
Retained earnings	264,752	59,068	323,820
Accumulated other comprehensive income (loss)	(721,612)	273,905	(447,707)
Total liabilities and equity	**$ 29,642,716**	**$ (98,508)**	**$ 29,544,208**

Other Adopted Accounting Pronouncements

The Company adopted ASU (ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The Company adopted this standard on January 1, 2023. This ASU eliminates TDR recognition and measurement guidance and, instead, requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU was applied prospectively and did not have a material impact on the consolidated financial statements upon adoption but could change the future recognition and measurement of modified loans.

Future Adoption of Accounting Standards

ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company's interim condensed consolidated financial statements or disclosures.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.	The amendments in this guidance are effective for all entities as of March 12, 2020 and will sunset through December 31, 2022, at which time the application of exceptions and optional expedients will no longer be permitted. The FASB issued ASU 2022-06 that delayed the sunset date to December 31, 2024.	The inventory of LIBOR exposures has been completed and is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR is not expected to have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements.

Note 4 – Investment in Securities

The cost or amortized cost and fair value of investments in securities are shown below (in thousands):

	March 31, 2023				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity securities, bonds available-for-sale					
U.S. treasury and government	$ 41,739	$ 79	$ (981)	$ —	$ 40,837
U.S. states and political subdivisions	854,075	965	(16,275)	(214)	838,551
Foreign governments	9,336	—	(339)	—	8,997
Corporate debt securities	11,828,200	8,367	(456,292)	(11,510)	11,368,765
Collateralized debt securities	1,401,711	12,796	(38,305)	(9,717)	1,366,485
Residential mortgage-backed securities	129,907	100	(5,313)	(118)	124,576
Total bonds available-for-sale	**14,264,968**	**22,307**	**(517,505)**	**(21,559)**	**13,748,211**
Total investments in fixed maturity securities	**$ 14,264,968**	**$ 22,307**	**$ (517,505)**	**$ (21,559)**	**$ 13,748,211**

	December 31, 2022				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity securities, bonds available-for-sale					
U.S. treasury and government	$ 41,384	$ 30	$ (1,405)	$ —	$ 40,009
U.S. states and political subdivisions	880,186	123	(24,706)	(742)	854,861
Foreign governments	9,314	—	(298)	(12)	9,004
Corporate debt securities	12,104,754	6,020	(830,095)	(23,049)	11,257,630
Collateralized debt securities	1,279,102	5,300	(55,261)	(4,574)	1,224,567
Residential mortgage-backed securities	132,797	23	(5,741)	(331)	126,748
Total bonds available-for-sale	**14,447,537**	**11,496**	**(917,506)**	**(28,708)**	**13,512,819**
Total investments in fixed maturity securities	**$ 14,447,537**	**$ 11,496**	**$ (917,506)**	**$ (28,708)**	**$ 13,512,819**

Note 4 – Investment in Securities – (Continued)

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of bonds available-for-sale, with the related gross realized gains and losses, are shown below (in thousands):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Proceeds from sales of fixed maturity securities, bonds available-for-sale	$ 970,333	$ 20,247
Gross realized gains	608	—
Gross realized losses	25,145	—

Gains and losses are determined using specific identification of the securities sold. All held-to-maturity securities were transferred to available-for-sale through a management election allowed under business combination guidance.

In accordance with various regulations, American National has bonds on deposit with regulating authorities with a carrying value of $30.2 million and $51.1 million at March 31, 2023 and December 31, 2022, respectively. In addition, American National has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $43.6 million and $44.8 million at March 31, 2023 and December 31, 2022, respectively.

The components of the change in net unrealized gains (losses) on debt securities are shown below, on a pre-tax basis (in thousands):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Fixed maturity securities: change in unrealized losses	$ 425,792	$ (605,983)
Short-term change in unrealized losses	4,164	—
Adjustments for		
Deferred policy acquisition costs	—	122,095
Participating policyholders' interest	(88)	9,744
Deferred federal income tax (expense) benefit	(90,238)	99,124
Change in net unrealized gains (losses) on debt securities, net of tax	**$ 339,630**	**$ (375,020)**

Note 4 – Investment in Securities – (Continued)

The components of the change in net gains (losses) on equity securities are shown below (in thousands):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Unrealized losses on equity securities	$ (28,599)	$ (1,270)
Net gains (losses) on equity securities sold	303	(8,212)
Net losses on equity securities	**$ (28,296)**	**$ (9,482)**

The gross unrealized losses and fair value of bonds available-for-sale, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below (in thousands, except number of issues):

	March 31, 2023								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value
Fixed maturity securities, bonds available-for-sale									
U.S. treasury and government	19	$ (981)	$ 37,221	—	$ —	$ —	19	$ (981)	$ 37,221
U.S. states and political subdivisions	484	(16,275)	719,606	—	—	—	484	(16,275)	719,606
Foreign governments	1	(339)	8,997	—	—	—	1	(339)	8,997
Corporate debt securities	1,187	(456,292)	10,146,378	—	—	—	1,187	(456,292)	10,146,378
Collateralized debt securities	76	(38,305)	1,121,954	—	—	—	76	(38,305)	1,121,954
Residential mortgage-backed securities	46	(5,313)	124,303	—	—	—	46	(5,313)	124,303
Total	**1,813**	**$ (517,505)**	**$12,158,459**	**—**	**$ —**	**$ —**	**1,813**	**$ (517,505)**	**$12,158,459**

	December 31, 2022								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value
Fixed maturity securities, bonds available-for-sale									
U.S. treasury and government	18	$ (1,405)	$ 36,692	—	$ —	$ —	18	$ (1,405)	$ 36,692
U.S. states and political subdivisions	580	(24,706)	833,315	—	—	—	580	(24,706)	833,315
Foreign governments	1	(298)	9,005	—	—	—	1	(298)	9,005
Corporate debt securities	1,212	(830,095)	9,951,734	—	—	—	1,212	(830,095)	9,951,734
Collateralized debt securities	71	(55,261)	776,938	—	—	—	71	(55,261)	776,938
Residential mortgage-backed securities	46	(5,741)	93,008	—	—	—	46	(5,741)	93,008
Total	**1,928**	**$ (917,506)**	**$11,700,692**	**—**	**$ —**	**$ —**	**1,928**	**$ (917,506)**	**$11,700,692**

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices.

Note 4 – Investment in Securities – (Continued)

Equity securities by market sector distribution are shown below, based on fair value:

	March 31, 2023		December 31, 2022	
Energy and utilities	$ 28,686	6.6 %	$ 30,722	7.2 %
Finance	383,053	88.6	374,688	87.4
Other	20,627	4.8	22,959	5.4
Total	**$ 432,366**	**100.0 %**	**$ 428,369**	**100.0 %**

Allowance for Credit Losses

Available-for-Sale Securities—For available-for-sale bonds in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized cost basis is written down to fair value through income. For bonds available-for-sale that do not meet either indicated criteria, the Company evaluates whether the decline in fair value has resulted from credit events or market factors. In making this assessment, management first calculates the extent to which fair value is less than amortized cost, and then may consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income, limited to the amount fair value is less than amortized cost. Any remaining unrealized loss is recognized in other comprehensive income.

When the discounted cash flow method is used to determine the allowance for credit losses, management's estimates incorporate expected prepayments, if any. Model inputs are considered reasonable and supportable for three years. A mean reversion is applied in years four and five. Credit loss allowance is not measured on accrued interest receivable because the balance is written off to net investment income in a timely manner, within 90 days. Changes in the allowance for credit losses are recognized through the condensed consolidated statement of operations as "(Increase) decrease in investment credit loss."

No accrued interest receivables were written off as of March 31, 2023 and 2022.

The rollforward of the allowance for credit losses for available-for-sale debt securities is shown below (in thousands):

Successor	**U.S. State and Political Subdivisions**	**Foreign governments**	**Corporate Debt Securities**	**Collateralized Debt Securities**	**Residential Mortgage Backed Securities**	**Total**
Balance at January 1, 2023	**$ (742)**	**$ (12)**	**$ (23,049)**	**$ (4,574)**	**$ (331)**	**$ (28,708)**
Increase in allowance related to purchases	—	—	(16)	—	—	(16)
Reduction in allowance related to dispositions	—	—	996	—	—	996
Allowance on securities that had an allowance recorded in a previous period	530	12	11,219	355	213	12,329
Allowance on securities where credit losses were not previously recorded	(2)	—	(660)	(5,498)	—	(6,160)
Balance at March 31, 2023	**$ (214)**	**$ —**	**$ (11,510)**	**$ (9,717)**	**$ (118)**	**$ (21,559)**

Predecessor	**U.S. State and Political Subdivisions**	**Foreign governments**	**Corporate Debt Securities**	**Collateralized Debt Securities**	**Residential Mortgage Backed Securities**	**Total**
Balance at January 1, 2022	**$ (14)**	**$ —**	**$ (7,141)**	**$ (2,887)**	**$ (268)**	**$ (10,310)**
Increase in allowance related to purchases	—	—	(10,286)	(59)	—	(10,345)
Reduction in allowance related to dispositions	—	—	180	—	—	180
Allowance on securities that had an allowance recorded in a previous period	—	—	949	(1,384)	(16)	(451)
Allowance on securities where credit losses were not previously recorded	(32)	—	(7,443)	(19)	—	(7,494)
Balance at March 31, 2022	**$ (46)**	**$ —**	**$ (23,741)**	**$ (4,349)**	**$ (284)**	**$ (28,420)**

Note 4 – Investment in Securities – (Continued)

Credit Quality Indicators

The Company monitors the credit quality of bonds held-to-maturity through the use of credit ratings provided by third party rating agencies, which are updated on a monthly basis. Information is also gathered regarding the asset performance of held-to-maturity bonds. The two traditional metrics for assessing interest rate risks are interest-coverage ratios and capitalization ratios, which can also be used in the assessment of credit risk. These risks are mitigated through the diversification of bond investments. Categories of diversification include credit ratings, geographic locations, maturities, and market sector.

Note 5 – Mortgage Loans

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. American National attempts to maintain a diversified portfolio by considering both the location of the underlying collateral as well as the type of mortgage loan. The geographic categories come from the U.S. Census Bureau's "Census Regions and Divisions of the United States." The distribution based on carrying amount of mortgage loans by location is as follows (in thousands, except percentages):

	March 31, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 905,218	15.9 %	$ 898,915	16.2 %
East South Central	44,698	0.8	65,548	1.2
Mountain	1,376,981	24.2	1,360,837	24.5
Pacific	909,329	15.9	924,187	16.7
South Atlantic	1,021,296	17.9	967,353	17.4
West South Central	1,128,902	19.8	1,068,239	19.3
Other	314,068	5.5	261,096	4.7
Total	**$ 5,700,492**	**100.0 %**	**$ 5,546,175**	**100.0 %**

As of March 31, 2023 and December 31, 2022, loans in foreclosure and loans foreclosed are as follows (in thousands, except number of loans):

	March 31, 2023		December 31, 2022	
Foreclosure and foreclosed	**Number of Loans**	**Recorded Investment**	**Number of Loans**	**Recorded Investment**
In foreclosure	2	$ 54,488	1	$ 27,001
Filed for bankruptcy	—	—	—	—
Total in foreclosure	**2**	**$ 54,488**	**1**	**$ 27,001**
Foreclosed	**—**	**$ —**	**1**	**$ —**

Note 5 – Mortgage Loans – (Continued)

The age analysis of past due loans is shown below (in thousands, except percentages):

March 31, 2023	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 828,473	$ 828,473	14.4 %
Hotel	19,376	—	—	19,376	971,944	991,320	17.2
Industrial	—	—	—	—	1,059,406	1,059,406	18.4
Office	22,524	27,487	27,001	77,012	1,004,510	1,081,522	18.8
Parking	—	—	—	—	418,341	418,341	7.3
Retail	—	24,921	—	24,921	812,998	837,919	14.6
Storage	—	—	—	—	118,830	118,830	2.1
Other	—	—	—	—	414,112	414,112	7.2
Total	**$ 41,900**	**$ 52,408**	**$ 27,001**	**$ 121,309**	**$ 5,628,614**	**$ 5,749,923**	**100.0 %**
Allowance for credit losses						(49,431)	
Total, net of allowance						**$ 5,700,492**	

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 805,690	$ 805,690	14.4 %
Hotel	—	—	—	—	1,009,560	1,009,560	18.1
Industrial	—	—	—	—	1,043,305	1,043,305	18.7
Office	—	—	27,001	27,001	1,104,981	1,131,982	20.3
Parking	—	—	—	—	419,878	419,878	7.5
Retail	—	—	—	—	842,483	842,483	15.1
Storage	—	—	—	—	118,875	118,875	2.1
Other	—	—	—	—	212,668	212,668	3.8
Total	**$ —**	**$ —**	**$ 27,001**	**$ 27,001**	**$ 5,557,440**	**$ 5,584,441**	**100.0 %**
Allowance for credit losses						(38,266)	
Total, net of allowance						**$ 5,546,175**	

Through the COVID-19 pandemic, American National provided modifications to loans in the form of forbearance of principal and interest payments for up to six months, extensions of maturity dates, and/or provisions for interest only payments. As a result of improved economic conditions, all loans have been paid in full or have completed the modified terms and returned to the original loan agreement as of December 31, 2022, except for three loans. These three loans received additional modifications in the form of extended maturity dates or interest only periods. These loans had an aggregate deferred interest of $0.3 million with a total balance of $30.3 million as of March 31, 2023.

Note 5 – Mortgage Loans – (Continued)

Modifications to Borrowers Experiencing Financial Difficulty

The Company may modify the terms of a loan when the borrower is experiencing financial difficulties, as a means to optimize recovery of amounts due on the loan. Modifications may involve temporary relief, such as payment forbearance for a short period of time (where interest continues to accrue) or may involve more substantive changes to a loan. Changes to the terms of a loan, pursuant to a modification agreement, are factored into the analysis of the loan's expected credit losses, under the allowance model applicable to the loan. For commercial mortgage loans, modifications for borrowers experiencing financial difficulty are tailored for individual loans and may include interest rate relief, maturity extensions or, less frequently, principal forgiveness. For residential mortgage loans, the most common modifications for borrowers experiencing financial difficulty, aside from insignificant delays in payment, typically involve interest rate relief, deferral of missed payments to the end of the loan term, or maturity extensions. For consumer loans to borrowers experiencing financial difficulty, common modifications, aside from insignificant delays in payment, typically involve the deferral of a portion of the amount due until the loan's maturity.

For the three-months ended March 31, 2023, the Company granted additional extensions on four previously restructured loans totaling $66.9 million in amortized cost. The loan term modifications ranged from 3 months to 24 months and represented approximately 1% of the portfolio segment.

Note 5 – Mortgage Loans – (Continued)

Allowance for Credit Losses

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses and allowances. The allowance for credit losses is based upon the current expected credit loss model. The model considers past loss experience, current economic conditions, and reasonable and supportable forecasts of future conditions. Reversion for the allowance calculation is implicit in the models used to determine the allowance. The methodology uses a discounted cash flow approach based on expected cash flows.

The Predecessor balance of $92.8 million at May 24, 2022 was reset. The provision of $38.3 million is the net amount of recovery and adjustment for the second, third and fourth quarter of 2022. Refer to Note 1, Nature of Operations, for more information.

The rollforward of the allowance for credit losses for mortgage loans is shown below (in thousands):

Successor	**Commercial Mortgage Loans**
Balance at December 31, 2022	**$ (38,266)**
Charge offs	(15,051)
Provision	3,886
Balance at March 31, 2023	**$ (49,431)**

Predecessor	**Commercial Mortgage Loans**
Balance at December 31, 2021	**$ (97,079)**
Provision	4,255
Balance at March 31, 2022	**$ (92,824)**

The increase in allowance from prior year is driven by two Office loans in foreclosure with anticipated losses of $15.0 million. The Office sector continues to struggle with rising vacancies in the post pandemic era.

Note 5 – Mortgage Loans – (Continued)

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below (in thousands):

	March 31, 2023		December 31, 2022	
	Asset Balance	Allowance	Asset Balance	Allowance
Apartment	$ 828,473	$ (3,763)	$ 805,690	$ (1,111)
Hotel	991,320	(7,641)	1,009,560	(5,400)
Industrial	1,059,406	(4,139)	1,043,305	(4,118)
Office	1,081,522	(22,818)	1,131,982	(17,420)
Parking	418,341	(5,492)	419,878	(5,566)
Retail	837,919	(4,438)	842,483	(3,740)
Storage	118,830	(389)	118,875	(469)
Other	414,112	(751)	212,668	(442)
Total	**$ 5,749,923**	**$ (49,431)**	**$ 5,584,441**	**$ (38,266)**

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by property-type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below (in thousands):

	Amortized Cost Basis by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
Apartment	$ —	$ 285,156	$ 164,965	$ 83,092	$ 126,299	$ 168,961	$ 828,473
Hotel	24,552	215,932	31,916	39,265	77,020	602,635	991,320
Industrial	—	289,929	171,760	185,013	120,335	292,369	1,059,406
Office	—	106,454	5,423	24,180	46,482	898,983	1,081,522
Parking	—	54,646	28,919	2,791	12,914	319,071	418,341
Retail	—	233,548	118,014	58,709	30,313	397,335	837,919
Storage	—	8,153	20,009	36,099	22,610	31,959	118,830
Other	142,803	134,417	44,814	—	16,793	75,285	414,112
Total	**$ 167,355**	**$ 1,328,235**	**$ 585,820**	**$ 429,149**	**$ 452,766**	**$ 2,786,598**	**$ 5,749,923**
Allowance for credit losses							(49,431)
Total, net of allowance							**$ 5,700,492**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At March 31, 2023, two commercial loans were past due over 90 days or in non-accrual status.

Off-Balance Sheet Credit Exposures

The Company has off-balance sheet credit exposures related to non-cancellable unfunded commitment amounts on commercial mortgage loans. We estimate the allowance for these exposures by applying the allowance rate we computed for each property type to the related outstanding commitment amounts. As of March 31, 2023, we have included a $3.1 million liability in other liabilities on the condensed consolidated statements of financial position based on unfunded loan commitments of $634 million.

Note 6 - Real Estate and Other Investments

The carrying amount of investment real estate, net of accumulated depreciation, and real estate partnerships by property-type and geographic distribution are as follows (in thousands, except percentages):

	March 31, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Hotel	$ 86,868	8.2 %	$ 77,458	7.5 %
Industrial	161,582	15.2	167,522	16.2
Land	49,296	4.6	48,199	4.7
Office	246,375	23.2	243,431	23.5
Retail	211,090	19.8	211,923	20.5
Apartments	248,921	23.4	253,678	24.5
Other	59,756	5.6	33,508	3.1
Total	**$ 1,063,888**	**100.0 %**	**$ 1,035,719**	**100.0 %**

	March 31, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 100,116	9.4 %	$ 97,938	9.5 %
East South Central	26,456	2.5	27,650	2.7
Mountain	237,309	22.3	239,672	23.1
Pacific	171,917	16.2	160,289	15.5
South Atlantic	87,002	8.2	88,280	8.5
West South Central	364,370	34.2	371,049	35.8
Other	76,718	7.2	50,841	4.9
Total	**$ 1,063,888**	**100.0 %**	**$ 1,035,719**	**100.0 %**

As of March 31, 2023, no real estate investments met the criteria as held-for-sale.

Consolidated VIEs

American National regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities ("VIEs"). In certain instances, in addition to an economic interest in the entity, American National holds the power to direct significant activities of the entity and is deemed the primary beneficiary. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of American National, as American National's obligation is limited to the amount of its committed investment. American National has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs in 2023 or 2022.

The assets and liabilities relating to the VIEs included in the condensed consolidated financial statements are as follows (in thousands):

	March 31, 2023	December 31, 2022
Fixed maturity securities, bonds available-for-sale, at estimated fair value	$ 415,889	$ —
Mortgage loans on real estate, net of allowance for credit losses	65,496	—
Real estate and real estate partnerships, net of accumulated depreciation	139,335	132,514
Investment funds	860,610	799,886
Short-term investments	501	501
Total investments	**1,481,831**	**932,901**
Cash and cash equivalents	54,053	12,953
Premiums due and other receivables	2,991	2,221
Other assets	10,408	13,596
Total assets of consolidated VIEs	**1,549,283**	**961,671**
Notes payable	184,175	150,913
Other liabilities	23,674	11,267
Total liabilities of consolidated VIEs	**$ 207,849**	**$ 162,180**

Note 6 – Real Estate and Other Investments – (Continued)

The notes payable in the condensed consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $10.3 million and $10.5 million at March 31, 2023 and December 31, 2022, respectively.

The total long-term notes payable of the consolidated VIEs consists of the following (in thousands):

Interest rate	Maturity	March 31, 2023	December 31, 2022
LIBOR or Equivalent	2023	$ 10,683	$ 10,702
4.18% fixed	2024	61,588	61,905
3.25% fixed	2024	6,842	6,420
1M SOFR + 2.5%, Rate Floor 3.5%	2029	73,126	71,886
Total notes payable of ANTAC consolidated VIEs		**$ 152,239**	**$ 150,913**
Other notes payable		31,936	—
Total notes payable of consolidated VIEs		**$ 184,175**	**$ 150,913**

Unconsolidated VIEs

	March 31, 2023		December 31, 2022	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate and real estate partnerships	$ 306,811	$ 306,811	$ 316,692	$ 316,692
Mortgage loans on real estate	590,427	590,427	601,198	601,198
Accrued investment income	2,033	2,033	1,863	1,863

American National's equity in earnings of real estate partnerships is the Company's share of operating earnings and realized gains from investments in real estate joint ventures and other limited partnership interests ("joint ventures") using the equity method of accounting.

The Company's total investment in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships, was comprised of $1.8 billion and $1.7 billion at March 31, 2023 and December 31, 2022, respectively.

Note 7 – Derivative Instruments

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments for accounting purposes under GAAP. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. The detail of derivative instruments is shown below (in thousands):

Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Financial Position	March 31, 2023		December 31, 2022	
		Notional Amounts	Estimated Fair Value	Notional Amounts	Estimated Fair Value
Equity-indexed options	Other invested assets	$3,799,900	$ 166,775	$3,772,900	$ 121,150
Equity-indexed embedded derivative	Policyholders' account balances	3,695,094	784,231	3,658,231	725,546

Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Operations	Gains (Losses) Recognized in Income on Derivatives — Three months ended March 31, Successor 2023	Predecessor 2022
Equity-indexed options	Net investment income (loss)	$ 24,648	$ (35,183)
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	(50,683)	39,508

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government-backed assets. The non-performance risk is the net counterparty exposure based on fair value of open contracts less fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. A right of offset has been applied to collateral that supports credit risk and has been recorded in the condensed consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Note 7 – Derivative Instruments – (Continued)

Information regarding the Company's exposure to credit loss on the options it holds is presented below (in thousands):

		March 31, 2023						
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Bank of America	A2+/A-	$ 13,136	$ 12,260	$ —	$ 12,260	$ 12,184	$ 76	$ 952
Barclays	Baa1/BBB	33,740	22,503	9,975	32,478	32,478	—	1,262
Credit Suisse	Baa1/A-	9,001	8,970	—	8,970	8,970	—	31
ING	Baa2+/BBB-+	11,483	10,650	—	10,650	10,650	—	833
JP Morgan Chase	A1/A-	1,900	—	—	—	—	—	1,900
Morgan Stanley	A1/A-	33,838	26,286	5,686	31,972	31,972	—	1,866
NATIXIS*	A1/A	9,836	9,880	—	9,880	9,836	44	—
Truist	A3/A-	39,892	31,670	4,988	36,658	36,657	—	3,234
Wells Fargo	A1/BBB+	13,949	12,850	—	12,850	12,850	—	1,099
Total		**$ 166,775**	**$ 135,069**	**$ 20,649**	**$ 155,718**	**$ 155,597**	**$ 120**	**$ 11,177**

		December 31, 2022						
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Bank of America	A2/A-	$ 4,821	$ 5,050	$ —	$ 5,050	$ 4,821	$ 229	$ —
Barclays	Baa2*+/BBB	26,615	16,902	10,000	26,902	26,615	287	—
Credit Suisse	Baa2/BBB-	6,124	5,280	—	5,280	5,280	—	844
ING	Baa1/A-	8,559	8,650	—	8,650	8,559	91	—
Morgan Stanley	A1/A-	23,420	17,386	5,700	23,086	23,086	—	334
NATIXIS*	A1/A	18,841	19,130	—	19,130	18,841	289	—
Truist	A3/A-	22,172	17,540	5,000	22,540	22,172	368	—
Wells Fargo	A1/BBB+	10,599	10,610	—	10,610	10,468	142	131
Total		**$ 121,151**	**$ 100,548**	**$ 20,700**	**$ 121,248**	**$ 119,842**	**$ 1,406**	**$ 1,309**

* *Collateral is prohibited from being held in invested assets.*

Note 8 – Net Investment Income and Realized Investment Gains (Losses)

Net investment income is shown below (in thousands):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Bonds	$ 156,623	$ 138,603
Short term investments	34,078	—
Equity securities	(46)	547
Mortgage loans	69,924	83,716
Real estate and estate partnerships	19,869	54,851
Investment funds	19,038	18,145
Equity-indexed options	24,648	(35,183)
Other invested assets	16,968	8,686
Total	**$ 341,102**	**$ 269,365**

Net investment income from equity method investments, comprised of real estate partnerships and investment funds was $40.6 million and $70.1 million for the three months ended March 31, 2023 and 2022, respectively.

Net realized investment gains (losses) are shown below (in thousands):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Bonds	$ (24,903)	$ 7,405
Real estate	2,747	2,896
Other invested assets	(211)	(24)
Total	**$ (22,367)**	**$ 10,277**

Note 9 – Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments are shown below (in thousands):

	March 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity securities, bonds available-for-sale	$ 13,748,211	$ 13,748,211	$ 13,512,819	$ 13,512,819
Equity securities	432,366	432,366	428,369	428,369
Equity-indexed options, included in other invested assets	166,775	166,775	121,150	121,150
Mortgage loans on real estate, net of allowance	5,700,492	5,319,879	5,546,175	5,306,834
Policy loans	376,089	376,089	374,481	374,481
Short-term investments	2,126,281	2,126,281	1,836,678	1,836,678
Separate account assets ($1,059,295 and $1,012,449 included in fair value hierarchy)	1,098,352	1,098,352	1,045,217	1,045,217
Separately managed accounts, included in other invested assets	127,197	127,197	127,291	127,291
Total financial assets	**$ 23,775,763**	**$ 23,395,150**	**$ 22,992,180**	**$ 22,752,839**
Financial liabilities				
Investment contracts	$ 9,991,895	$ 9,991,895	$ 9,780,174	$ 9,780,174
Embedded derivative liability for equity-indexed contracts	784,231	784,231	725,546	725,546
Notes payable	184,175	184,175	150,913	150,913
Separate account liabilities ($1,059,295 and $1,012,449 included in fair value hierarchy)	1,098,352	1,098,352	1,045,217	1,045,217
Total financial liabilities	**$ 12,058,653**	**$ 12,058,653**	**$ 11,701,850**	**$ 11,701,850**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. American National has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect American National's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Note 9 – Fair Value of Financial Instruments – (Continued)

Valuation Techniques for Financial Instruments Recorded at Fair Value

Fixed Maturity Securities and Equity Options—American National utilizes a pricing service to estimate fair value measurements. The fair value for fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Since fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on the asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

American National has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant's assumptions. American National does not adjust quotes received from the pricing service. The pricing service utilized by American National has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

American National holds a small amount of private placement debt and fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent pricing source (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, American National includes these fair value estimates in Level 3.

For securities priced using a quote from an independent pricing source, such as the equity-indexed options and certain fixed maturity securities, American National uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities—For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain common preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. American National tests the accuracy of the information provided by reference to other services annually.

Short-term Investments—Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Note 9 – Fair Value of Financial Instruments – (Continued)

Separate Account Assets and Liabilities—Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of American National. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. American National reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from American National’s general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, American National's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the condensed consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of American National.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and fixed maturity bonds available-for-sale. Equity securities are classified as Level 1 measurements. Short-term investments and fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investment funds, accrued investment income, and receivables for securities. These are not financial instruments and are not included in the quantitative disclosures of fair value hierarchy table.

No gains or losses were recognized on assets transferred to separate accounts for the three months ended March 31, 2023 and 2022, respectively.

	March 31, 2023			
	Variable Life	Variable Annuities	Pension	Total
Balance, beginning of year	$ 230,148	$ 349,820	$ 465,249	$ 1,045,217
Premiums and deposits	2,868	17,330	597	20,795
Policy charges	(2,372)	(1,043)	(36)	(3,451)
Surrenders and withdrawals	(3,874)	(14,867)	—	(18,740)
Benefit payments	—	—	(5,071)	(5,071)
Investment performance	14,641	19,885	26,884	61,410
Net transfers from (to) general account	(505)	(647)	(656)	(1,808)
Balance, end of year	**$ 240,906**	**$ 370,478**	**$ 486,967**	**$ 1,098,352**
Cash Surrender Value	$ 241,098	$ 366,745	$ —	

Embedded Derivatives—The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 and NASDAQ-100 indices within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract’s surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.
- Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index. At March 31, 2023 and December 31, 2022, the one year implied volatility used to estimate embedded derivative value was 19.9% and 23.4%, respectively.

Note 9 – Fair Value of Financial Instruments – (Continued)

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

	Fair Value			Range	
	March 31, 2023	December 31, 2022	Unobservable Input	March 31, 2023	December 31, 2022
Security type					
Embedded derivative					
Indexed Annuities	$ 758.0	$ 713.5	Lapse Rate	1-50%	1-50%
			Mortality Multiplier	100%	100%
			Equity Volatility	14-62%	16-66%
Indexed Life	26.2	12.1	Equity Volatility	14-62%	16-66%

Quantitative Disclosures

The fair value hierarchy measurements of the financial instruments are shown below (in thousands):

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at March 31, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	$ 40,837	$ 40,837	$ —	$ —
U.S. states and political subdivisions	838,550	—	838,550	—
Foreign governments	8,997	—	8,997	—
Corporate debt securities	11,368,766	—	9,846,163	1,522,603
Residential mortgage-backed securities	124,576	—	124,576	—
Collateralized debt securities	1,366,485	—	384,322	982,163
Total bonds available-for-sale	**13,748,211**	**40,837**	**11,202,608**	**2,504,766**
Equity securities				
Common stock	373,279	158,125	—	215,154
Preferred stock	59,087	24,342	—	34,745
Total equity securities	**432,366**	**182,467**	**—**	**249,899**
Options	166,775	—	—	166,775
Short-term investments	2,126,281	587,298	—	1,538,983
Separately managed accounts	127,197	—	—	127,197
Separate account assets	1,059,295	336,316	722,979	—
Total financial assets	**$ 17,660,125**	**$ 1,146,918**	**$ 11,925,587**	**$ 4,587,620**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 784,231	$ —	$ —	$ 784,231
Notes payable	184,175	—	—	184,175
Separate account liabilities	1,059,295	336,316	722,979	—
Total financial liabilities	**$ 2,027,701**	**$ 336,316**	**$ 722,979**	**$ 968,406**

Note 9 – Fair Value of Financial Instruments – (Continued)

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	$ 40,009	$ 40,009	$ —	$ —
U.S. states and political subdivisions	854,861	—	854,861	—
Foreign governments	9,004	—	9,004	—
Corporate debt securities	11,257,630	—	10,525,008	732,622
Residential mortgage-backed securities	126,748	—	126,748	—
Collateralized debt securities	1,224,567	—	362,381	862,186
Total bonds available-for-sale	**13,512,819**	**40,009**	**11,878,002**	**1,594,808**
Equity securities				
Common stock	371,836	203,034	—	168,802
Preferred stock	56,533	21,917	—	34,616
Total equity securities	**428,369**	**224,951**	**—**	**203,418**
Options	121,150	—	—	121,150
Short-term investments	1,836,678	595,098	—	1,241,580
Separately managed accounts	127,291	—	—	127,291
Separate account assets	1,012,499	313,752	698,747	—
Total financial assets	**$ 17,038,806**	**$ 1,173,810**	**$ 12,576,749**	**$ 3,288,247**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 725,546	$ —	$ —	$ 725,546
Notes payable	150,913	—	—	150,913
Separate account liabilities	1,012,499	313,752	698,747	—
Total financial liabilities	**$ 1,888,958**	**$ 313,752**	**$ 698,747**	**$ 876,459**

Note 9 – Fair Value of Financial Instruments – (Continued)

For financial instruments measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below (in thousands):

	Level 3			
	Three months ended March 31, 2023			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning Balance	**$ 3,039,806**	**$ 121,150**	**$ 127,291**	**$ 725,546**
Net gain for derivatives and bonds included in net investment income	85,505	24,648	—	—
Net change included in interest credited	—	—	—	50,683
Net fair value change included in other comprehensive income	—	—	(295)	—
Purchases, sales and settlements or maturities				
Purchases	1,404,527	30,427	9,156	—
Sales	(236,805)	—	(8,955)	—
Settlements or maturities	(35)	(9,450)	—	—
Premiums less benefits	—	—	—	8,002
Ending balance at March 31, 2023	**$ 4,292,998**	**$ 166,775**	**$ 127,197**	**$ 784,231**

	Level 3			
	Three months ended March 31, 2022			
	Assets			Liability
Predecessor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning Balance	**$ 280,705**	**$ 259,383**	**$ 99,884**	**$ 832,579**
Net loss for derivatives included in net investment income	—	(35,183)	—	—
Net change included in interest credited	—	—	—	(39,508)
Net fair value change included in other comprehensive income	296	—	5	—
Purchases, sales and settlements or maturities				
Purchases	30,269	22,960	12,765	—
Sales	(20,247)	—	(7,441)	—
Settlements or maturities	—	(41,864)	—	—
Premiums less benefits	—	—	—	1,565
Ending balance at March 31, 2022	**$ 291,023**	**$ 205,296**	**$ 105,213**	**$ 794,636**

Within the net gain (loss) for derivatives included in net investment income were unrealized gains of $35.3 million and unrealized losses of $56.2 million, relating to assets still held at March 31, 2023 and 2022, respectively.

There were no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. American National's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions. Approximately $575 million of level 3 securities were priced by third party services in the successor periods presented.

Note 9 – Fair Value of Financial Instruments – (Continued)

Equity-Index Options—Certain over the counter equity options are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

The following summarizes the fair value (in thousands), valuation techniques and unobservable inputs of the Level 3 fair value measurements:

Successor	Fair Value at March 31, 2023	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 1,111	Guideline public company method (1)	LTM Revenue Multiple	3xx
		CVM	NCY Revenue Multiple (6)	0.6x
			NCY EBITDA Multiple	5.5x
			LQA Recurring Revenue Multiple (7)	7.25
Preferred stock	4,859	Guideline public company method	LTM Revenue Multiple (4)	5.40x
		CVM	NCY Revenue Multiple	6.82x
			LTM EBITDA Multiple	5.5x
			NCY EBITDA Multiple (8)	5.5x
Bonds	320,180	Priced at cost	Coupon rate	4.00-11.13%
Separately managed accounts	127,197	Discounted cash flows (yield analysis)	Discount rate	7.60-21.10%
		CVM	NCY EBITDA	0x
		Market transaction		N/A

Predecessor	Fair Value at December 31, 2022	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 1,131	Guideline public company method (1)	LTM Revenue Multiple	3xx
		CVM	NCY Revenue Multiple (6)	0.6x
			NCY EBITDA Multiple	5.5x
			LQA Recurring Revenue Multiple (7)	7.25
Preferred stock	5,058	Guideline public company method	LTM Revenue Multiple (4)	5.4x
		CVM	NCY Revenue Multiple	6.82x
			LTM EBITDA Multiple	5.50x
			NCY EBITDA Multiple (8)	5.50x
Bonds	311,732	Priced at cost	Coupon rate	4.00-11.13%
Separately managed accounts	127,291	Discounted cash flows (yield analysis)	Discount rate	7.60-21.10%
		CVM	NCY EBITDA	0x
		Market transaction		N/A

(1) Guideline public company method uses price multiples from data on comparable public companies. Multiples are then adjusted to account for differences between what is being valued and comparable firms.

(2) Recurring Revenue Multiple for the most relevant period of time, measures the value of the equity or a business relative to the revenues it generates.

(3) Last Twelve Months ("LTM") EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12 month period.

(4) LTM Revenue Multiple valuation metric shows revenue for the past 12 month period.

(5) Next Calendar Year ("NCY") EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.

(6) NCY Revenue forecast revenue over the next calendar year.

(7) Last quarter annualized recurring revenue. Total recurring revenue realized during the previous quarter multiplied by 4.

Note 9 – Fair Value of Financial Instruments – (Continued)

Investment Securities—These bonds use cost as the best estimate of fair value. They are valued at cost because the value would not change unless there is a fundamental deterioration in the portfolio. There is no observable market valuation price or third-party sources that provide market values for these securities since they are not publicly traded. The common and preferred stock are valued at market transaction, option pricing method, or guideline public company method based on the best available information.

Separately Managed Accounts—The separately managed account manager uses the mid-point of a range from a third-party to price these securities. Discounted cash flows (yield analysis) and market transactions approach are used in the valuation. They use discount rate which is considered an unobservable input.

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair value is discussed below:

Fixed Maturity Securities—The fair value of bonds held-to-maturity is determined to be consistent with the disclosure under Valuation Techniques for the Financial Instrument Recorded at Fair Value section.

Mortgage Loans—The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan’s credit quality, region, property-type, lien priority, payment type and current status.

Policy Loans—The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, American National believes the carrying value of policy loans approximates fair value.

Separately Managed Accounts—The amounts reported in separately managed accounts consist primarily of notes and private equity. These investments are private placements and do not have a readily determinable fair value. The carrying value of the separately managed accounts is cost or market value, if available from the separately managed account manager. Market value is provided by the separately managed account manager in subsequent quarters. American National believes that cost approximates fair value at initial recognition during the quarter of investment.

Investment Contracts—The carrying value of investment contracts is equivalent to the accrued account balance. The accrued account balance consists of deposits, net of withdrawals, interest credited, fees and charges assessed and other adjustments. American National believes that the carrying value of investment contracts approximates fair value because the majority of these contracts’ interest rates reset at anniversary.

Notes Payable—Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

Federal Home Loan Bank Advance—The Federal Home Loan Bank advance was carried at outstanding principal balance. The fair value of the advance was obtained from the Federal Home Loan Bank of Dallas. The Company does not have outstanding loans from FHLB as of December 31, 2022 and March 31, 2023.

Note 9 – Fair Value of Financial Instruments – (Continued)

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below (in thousands):

	March 31, 2023		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,700,492	$ 5,319,879
Policy loans	Level 3	376,089	376,089
Total financial assets		**$ 6,076,581**	**$ 5,695,968**
Financial liabilities			
Investment contracts	Level 3	$ 9,991,895	$ 9,991,895
Long-term debt	Level 3	1,511,588	1,511,588
Notes payable	Level 3	184,175	184,175
Total financial liabilities		**$ 11,687,658**	**$ 11,687,658**

	December 31, 2022		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,546,175	$ 5,306,834
Policy loans	Level 3	374,481	374,481
Total financial assets		**$ 5,920,656**	**$ 5,681,315**
Financial liabilities			
Investment contracts	Level 3	$ 9,780,174	$ 9,780,174
Long-term debt	Level 3	1,503,400	1,503,400
Notes payable	Level 3	150,913	150,913
Total financial liabilities		**$ 11,434,487**	**$ 11,434,487**

Note 10 – Deferred Policy Acquisition Costs and Value of Business Acquired

According to PGAAP Accounting, deferred policy acquisition costs (“DAC”) were written off as a result of the Merger. The beginning balance at May 25, 2022 represents the Value of Business Acquired ("VOBA") at that date. The changes in the asset for DAC and VOBA are shown below (in thousands):

	Life	Annuity	Health	Property & Casualty	Total
Beginning balance at January 1, 2023	**$ 400,985**	**$ 71,469**	**$ 7,153**	**$ 184,871**	**$ 664,478**
Additions	39,407	25,404	2,835	112,049	179,695
Amortization	(9,212)	(2,568)	(1,212)	(118,765)	(131,757)
Net change	**30,195**	**22,836**	**1,623**	**(6,716)**	**47,938**
Ending balance at March 31, 2023	**$ 431,180**	**$ 94,305**	**$ 8,776**	**$ 178,155**	**$ 712,416**

Commissions comprise the majority of additions to deferred policy acquisition costs.

The changes in negative VOBA are shown below (in thousands):

	Life	Annuity	Total
Balance at January 1, 2023	**$ (711,612)**	**$ (172,030)**	**$ (883,642)**
Amortization	9,636	3,007	12,643
Net change	**9,636**	**3,007**	**12,643**
Balance at March 31, 2023	**$ (701,976)**	**$ (169,023)**	**$ (870,999)**

The following table provides the projected VOBA amortization expenses for a five-year period and thereafter (in thousands):

Years	**Asset**	**Liability**
2023	$ 71,222	$ (53,201)
2024	30,873	(51,132)
2025	27,565	(48,103)
2026	24,892	(45,313)
2027	22,524	(42,703)
Thereafter	227,692	(643,190)
Total amortization expense (credit)	**$ 404,768**	**$ (883,642)**

The amortization of the VOBA asset is included in the change in deferred acquisition costs in the consolidated statement of operations. The amortization of the VOBA liability is included in policyholder benefits in the consolidated statement of operations.

Note 11 – Liability for Unpaid Claims and Claim Adjustment Expenses

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the condensed consolidated statements of financial position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the condensed consolidated results of operations in the period in which the changes occur. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below (in thousands):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Unpaid claims balance, beginning	$ 1,568,543	$ 1,455,079
Less: Reinsurance recoverables	305,327	288,358
Net beginning balance	1,263,216	1,166,721
Incurred related to		
Current	374,938	298,198
Prior years	(10,424)	(6,150)
Total incurred claims	364,514	292,048
Paid claims related to		
Current	108,329	95,315
Prior years	230,240	191,862
Less: Total paid claims	338,569	287,177
Net balance	1,289,161	1,171,592
Plus: Reinsurance recoverables	299,969	274,708
Unpaid claims balance, ending	$ 1,589,130	$ 1,446,300

Estimates for ultimate incurred claims attributable to insured events of prior years' decreased by approximately $10.4 million during the first three months of 2023 and decreased by $6.2 million during the same period in 2022. The favorable development in 2023 during the "Successor" period was a reflection of lower-than-anticipated losses arising from agribusiness, businessowners, commercial automotive, and commercial other lines of business. The favorable development in 2022 during the "Predecessor" period was a reflection of lower-than-anticipated settlement of losses arising from the guaranteed asset protection waiver line of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at March 31, 2023 and December 31, 2022 was $15.5 million and $16.0 million, respectively.

Note 12 – Federal Income Taxes

A reconciliation of the effective tax rate to the statutory federal tax rate is shown below (in thousands, except percentages):

	Three months ended March 31,			
	Successor		Predecessor	
	Amount	Rate	Amount	Rate
Total expected income tax expense at the statutory rate	$ 2,729	21.0 %	$ 29,155	21.0 %
Tax-exempt investment income	(798)	(6.1)	(1,119)	(0.8)
Dividend exclusion	(599)	(4.6)	(211)	(0.2)
Tax credits, net	(4,851)	(37.3)	(1,331)	(1.0)
Low income housing tax credit expense	717	5.5	807	0.6
Other items, net	555	4.3	(15)	0.1
Total	**$ (2,247)**	**(17.2)%**	**$ 27,286**	**19.7 %**

For the three months ended March 31, 2023, American National received income tax refunds of $1.2 million and made no income tax payments. For the three months ended March 31,2022, American National made no income tax payments. For tax purposes, as of March 31, 2023, American National had net operating loss carryforwards of $80.3 million and no material tax credit carryforwards.

American National's federal income tax returns for tax years 2018 to 2021 are subject to examination by the Internal Revenue Service. In 2021, we filed amended returns for tax years 2017 and 2018 resulting in a tax refund. In April 2022, the IRS requested, and we accepted, a request to extend the statute of limitations on the 2018 tax year to October 2023 in order to allow more time to review our refund claim. Our refunds were received in April 2023. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld.

As of March 31, 2023, American National had no provision for uncertain tax positions and no provision for penalties or interest. In addition, management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would impact American National's effective tax rate.

Note 13 – Accumulated Other Comprehensive Income (Loss)

According to PGAAP Accounting, the historic balance of accumulated other comprehensive income (loss) (“AOCI”) was eliminated as a result of the Merger. The components of and changes in AOCI are shown below, net of tax (in thousands):

Successor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Change in Discount Rate Used to Measure LFPB	Change in Fair Value of Market Risk Benefits	Accumulated Other Comprehensive Income (Loss)
Beginning balance at January 1, 2023	**$ (721,536)**	**$ 1,161**	**$ (1,237)**	**$ 253,126**	**$ 20,779**	**$ (447,707)**
Amounts reclassified from AOCI	19,514	1,446	—	—	—	20,960
Unrealized gains arising during the period	320,184	—	—	—	—	320,184
Unrealized losses on investments attributable to participating policyholders’ interest	(69)	—	—	—	—	(69)
Change in discount rates	—	—	—	(105,674)	—	(105,674)
Change in fair value market risk benefits, net	—	—	—	—	(6,790)	(6,790)
Foreign currency adjustment	—	—	136	—	—	136
Ending balance at March 31, 2023	**$ (381,907)**	**$ 2,607**	**$ (1,101)**	**$ 147,452**	**$ 13,989**	**$ (218,960)**

Predecessor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Change in Discount Rate Used to Measure LFPB	Change in Fair Value of Market Risk Benefits	Accumulated Other Comprehensive Income (Loss)
Beginning balance at January 1, 2022	**$ 149,312**	**$ 546**	**$ (2,804)**	**$ —**	**$ —**	**$ 147,054**
Amounts reclassified from AOCI	(5,400)	2,843	—	—	—	(2,557)
Unrealized holding losses arising during the period	(473,773)	—	—	—	—	(473,773)
Unrealized adjustment to DAC	96,455	—	—	—	—	96,455
Unrealized losses on investments attributable to participating policyholders’ interest	7,698	—	—	—	—	7,698
Foreign currency adjustment	—	—	312	—	—	312
Ending balance at March 31, 2022	**$ (225,708)**	**$ 3,389**	**$ (2,492)**	**$ —**	**$ —**	**$ (224,811)**

Unrealized increased during the period ended March 31, 2023 compared to December 31, 2022, as a result of a decrease in benchmark ten-year interest rates, which were 3.5% and 3.9%, respectively.

Note 14 – Equity and Noncontrolling Interests

Prior to the Merger, ANAT had one class of common stock with a par value of $0.01 per share, with 50,000,000 authorized shares and 26,887,200 outstanding shares (including 10,000 shares of restricted stock). On May 25, 2022, the effective date of the Merger, each issued and outstanding share of the Company's common stock was converted into the right to receive $190.00 in cash without interest pursuant to the Merger Agreement. Refer to Note 1, Nature of Operations, for more information. Subsequent to the closing of the merger, and effective September 30, 2022, ANAT converted from a corporation to a limited liability company. Following such conversion, there is one outstanding member unit, which is owned by BAMR US Holdings LLC, an indirect wholly owned subsidiary of Brookfield Reinsurance.

Statutory Capital and Surplus

Risk Based Capital (“RBC”) is a measure defined by the National Association of Insurance Commissioners ("NAIC") and is used by insurance regulators to evaluate the capital adequacy of American National's insurance subsidiaries. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level at least 100% of the company action level RBC are required to take certain actions.

American National's insurance subsidiaries prepare financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of each subsidiary's state of domicile, which include certain components of the National Association of Insurance Commissioners’ Codification of Statutory Accounting Principles (“NAIC Codification”). NAIC Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting practices continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the statutory capital and surplus of our insurance subsidiaries.

Statutory accounting differs from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, and valuing securities on a different basis. In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus.

ANICO has been granted a permitted practice from the Texas Department of Insurance to recognize an admitted asset related to the notional value of coverage defined in an excess of loss reinsurance agreement. The permitted practice increases the statutory capital and surplus of ANICO by $548.2 million at March 31, 2023. The statutory capital and surplus of ANICO would have remained above authorized control level RBC had it not used the permitted practice.

One of American National’s insurance subsidiaries has been granted a permitted practice from the Missouri Department of Insurance to record as the valuation of its investment in a wholly-owned subsidiary that is the attorney-in-fact for a Texas domiciled insurer, the statutory capital and surplus of the Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of American National Property And Casualty Company ("ANPAC") by $82.3 million and $79.3 million at March 31, 2023 and December 31, 2022, respectively. The statutory capital and surplus of both ANPAC and American National Lloyds Insurance Company would have remained above the authorized control level RBC had it not used the permitted practice.

The statutory capital and surplus and net income (loss) of our life and property and casualty insurance entities in accordance with statutory accounting practices are shown below (in thousands):

	March 31, 2023	December 31, 2022
Statutory capital and surplus		
Life insurance entities	$ 2,067,126	$ 4,207,301
Property and casualty insurance entities	1,769,249	1,768,116

	Three Months Ended March 31,	
	2023	2022
Statutory net income		
Life insurance entities	$ 16,012	$ 52,558
Property and casualty insurance entities	(1,171)	31,698

Note 14 – Equity and Noncontrolling Interests – (Continued)

Dividends

We paid a quarterly dividend of $0.82 per share during the three months ended March 31, 2022, prior to the completion of the Merger effective May 25, 2022.

Under the terms of the Merger Agreement with Brookfield Reinsurance, American National was not permitted to pay cash dividends prior to the closing of the Merger, except for quarterly cash dividends of not more than $0.82 per share, with record and payment dates set forth on an agreed schedule that reflected American National's historical dividend amounts, record dates and payment dates. Consistent with that schedule, American National paid four quarterly cash dividends after the Merger Agreement was signed on August 6, 2021.

On January 1, 2023, the Company's wholly owned subsidiary ANH Investments, LLC ("ANH") distributed the stock of its wholly owned subsidiary American National Insurance Holdings, Inc. ("ANIH") to the Company, and the Company distributed such stock to ANAT. Such transactions were pursuant to approvals from the domiciliary state insurance regulators of the Company and the subsidiary insurance companies owned by ANIH as of December 31, 2022. In addition, on January 1, 2023, the Company distributed its entire interest in its wholly owned subsidiary, ANTAC, LLC to ANAT.

Noncontrolling Interest

American National County Mutual Insurance Company ("County Mutual") is a mutual insurance company owned by its policyholders. ANICO has a management agreement that effectively gives it control of County Mutual. As a result, County Mutual is included in the condensed consolidated financial statements of American National. Policyholder interests in the financial position of County Mutual are reflected as noncontrolling interest of $6.8 million at March 31, 2023 and December 31, 2022.

ANAT and its subsidiaries exercise control or ownership of various joint ventures, resulting in their consolidation into American National's condensed consolidated financial statements. The interests of the other partners in the consolidated joint ventures are shown as a noncontrolling interest of $68.1 million and $67.5 million at March 31, 2023 and December 31, 2022, respectively.

Note 15 – Debt

As a result of the Merger on May 25, 2022, the Company assumed the Term Loan Agreement with a consortium of banks providing for five-year term loans in the aggregate principal amount of $1.5 billion maturing May 23, 2027. Interest is tied to Secured Overnight Financing Rate ("SOFR") and reset and paid quarterly. The all in rate at the end of the first quarter was 6.28%. On June 13, 2022, the Company repaid $500 million under the Term Loan Agreement and at March 31, 2023 had $1.0 billion principal amount outstanding. The outstanding debt balance was reduced by $4.7 million in unamortized issuance costs as of March 31, 2023. Quarterly interest payments were $14.7 million and $18.5 million for the three months ended March 31, 2023 and seven months ended December 31, 2022.

In June 2022, the Company issued $500 million of 6.144% unsecured Senior Notes maturing June 13, 2032. Interest is payable in arrears in June and December of each year. Such notes were offered under Rule 144A of the Securities Act of 1933, as amended. The proceeds from the Senior Notes were used to repay a portion of the Term Loan Agreement. The outstanding note balance was reduced by $4.5 million in unamortized issuance costs as of March 31, 2023. An interest payment of $15.4 million was made on December 13, 2022.

Note 16 – Commitments and Contingencies

Commitments

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobiles. The remaining long-term lease commitments at March 31, 2023 were approximately $10.2 million.

American National had aggregate commitments at March 31, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.8 billion, of which $1.1 billion is expected to be funded in 2023, with the remainder funded in 2024 and beyond.

In addition, the Company had revolving commitments of $112.5 million expected to be funded during 2023 and 2024.

American National had outstanding letters of credit in the amount of $3.5 million as of March 31, 2023 and December 31, 2022.

Federal Home Loan Bank ("FHLB") Agreements

The Company has access to the FHLB’s financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of March 31, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $12.1 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of March 31, 2023, the collateral provided borrowing capacity of approximately $679.8 million. The deposited securities and commercial mortgage loans are included in the Company’s condensed consolidated statements of financial position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Guarantees

ANICO has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by ANICO. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, ANICO would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of March 31, 2023, was approximately $121.4 million, while the total cash value of the related life insurance policies was approximately $143.8 million.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on American National’s condensed consolidated financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the lowest amount of the range.

Note 17 – Related Party Transactions

American National has entered into recurring transactions and agreements with certain related parties. Prior to the Merger, these included mortgage loans, management contracts, agency commission contracts, marketing agreements, health insurance contracts, and legal services. The impact on the condensed consolidated financial statements of significant related party transactions is discussed below.

From time to time, American National may participate in investment opportunities from entities classified as related parties to Brookfield Reinsurance, including collateral and mortgage loans. During the first quarter of 2023, these investments totaled $1.25 billion and were accounted for in the same manner as those with unrelated parties in the consolidated financial statements.

On November 8, 2022 ANAT and BAMR US Holdings LLC entered into a deposit agreement. The contribution limit is up to $650.0 million. The interest rate is SOFR plus 75 basis points (5.27% at March 31, 2023). On November 10, 2022 a $600.0 million cash deposit was sent by ANAT to BAMR US Holdings LLC. The balance at March 31, 2023 was $607.6 million. The deposit is considered a cash and cash equivalent in the Company's consolidated statements of financial position as of March 31, 2023.

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances

The balances and changes in the liability for future policy benefits are as follows (in thousands):

	March 31, 2023			
	Term Life	**Whole Life**	**Annuity**	**Health**
Present value of Expected Net Premiums:				
Balance, beginning of period	**$ 2,181,520**	**$ 1,338,304**	**$ —**	**$ 254,452**
Beginning balance at original discount rate	2,400,114	1,425,419	—	262,239
Effect of changes in cash flow assumptions	(70)	11	—	12,270
Effect of actual variances from expected experience	(20,160)	5,517	169	(467)
Adjusted beginning of period balance	**2,379,884**	**1,430,947**	**169**	**274,042**
Net issuances (lapses)	28,974	13,029	156,564	(4,977)
Interest accrual	16,245	9,473	1,500	1,905
Net premiums collected	(38,463)	(51,313)	(158,233)	(6,699)
Ending balance at original discount rate	**2,386,640**	**1,402,137**	**—**	**264,271**
Effect of changes in discount rate assumptions	(128,819)	(46,393)	—	(7,097)
Balance, end of period	**$ 2,257,822**	**$ 1,355,743**	**$ —**	**$ 257,174**
Present value of Expected Future Policy Benefits:				
Balance, beginning of year	**$ 2,694,329**	**$ 2,635,785**	**$ 1,288,035**	**$ 292,528**
Beginning balance at original discount rate	2,960,617	2,914,365	1,368,141	303,469
Effect of changes in cash flow assumptions	(67)	46	77	12,027
Effect of actual variances from expected experience	(20,418)	5,234	1,768	(424)
Adjusted beginning of period balance	**2,940,132**	**2,919,644**	**1,369,986**	**315,072**
Net issuances (lapses)	28,974	13,029	157,025	(5,083)
Interest accrual	19,990	19,245	10,866	2,243
Benefit payments	(24,443)	(49,128)	(40,072)	(6,724)
Ending balance at original discount rate	**2,964,653**	**2,902,790**	**1,497,805**	**305,508**
Effect of changes in discount rate assumptions	(150,865)	(171,693)	(36,973)	(10,115)
Balance, end of period	**2,813,788**	**2,731,097**	**1,460,832**	**295,393**
Net liability for future policy benefits	555,966	1,375,354	1,460,832	38,219
Less: Reinsurance recoverable	(49,459)	—	—	(10,184)
Net liability for future policy benefits, after reinsurance recoverable	**$ 506,507**	**$ 1,375,354**	**$ 1,460,832**	**$ 28,035**
Weighted-average liability duration of the liability	12.6	17.9	7.9	5.9
Undiscounted expected future benefit payments	$ 5,848,101	$ 6,230,448	$ 2,231,462	$ 569,949
Undiscounted expected gross premiums	$ 6,243,142	$ 2,807,514	$ —	$ 473,079
Gross premiums recognized in statement of operations	$ 49,168	$ 67,300	$ 159,832	$ 10,788
Interest expense recognized in statement of operations	$ 3,744	$ 9,772	$ 9,365	$ 338
Interest accretion rate	4.7%	4.5%	4.5%	4.1%
Current discount rate	5.0%	5.0%	4.9%	4.5%

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

The reconciliation of liability for future policy benefits to the liability for future policy benefits in the consolidated statement of financial position follows (in thousands):

	March 31, 2023
Term life	$ 555,966
Whole life	1,375,354
Annuity	1,460,832
Health	28,035
Deferred profit liability	33,255
VOBA	870,997
Liability for future policy benefits not subject to LDTI	815,847
Total	**$ 5,140,286**

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances follow (in thousands):

	March 31, 2023			
	Universal Life	**Equity Indexed Universal Life**	**Fixed Deferred Annuity**	**Equity Indexed Annuity**
Balance, beginning of period	**$ 1,356,087**	**$ 613,661**	**$ 7,295,531**	**$ 4,683,853**
Issuances	9,123	12,664	478,249	95,652
Premiums received	61,957	33,625	5,696	2,145
Policy charges	(64,505)	(22,816)	(999)	(4,572)
Surrenders and withdrawals	(15,574)	(5,103)	(355,950)	(139,263)
Interest credited	6,769	13,704	66,246	71,941
Other	(7,758)	—	—	—
Balance, end of period	**$ 1,346,099**	**$ 645,735**	**$ 7,488,773**	**$ 4,709,756**
Weighted-average crediting rate	0.5 %	2.2 %	2.9 %	0.6 %
Net amount at risk	$ 22,482,547	$ 15,322,614	$ —	$ 340,123
Cash surrender value	$ 1,214,284	$ 498,549	$ 6,835,119	$ 4,197,343

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the consolidated statement of financial position are shown below (in thousands):

	March 31, 2023
Universal life	$ 1,346,099
Equity indexed universal life	645,735
Fixed deferred annuity	7,488,773
Equity indexed annuity	4,709,756
Single premium immediate annuity	300,135
Supplemental contracts	15,577
Variable universal life	37,840
Variable deferred annuity	16,328
Other	(13,953)
Total	**$ 14,546,290**

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums are shown below (in thousands):

		March 31, 2023				
	Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 - 50 Basis Points Above**	**51 - 150 Basis Points Above**	**> 150 Basis Points Above**	**Total**
Universal Life	1.00%-2.00%	$ 13,676	$ 2,119	$ 9,055	$ —	$ 24,850
	2.00%-3.00%	405,481	—	148,296	—	553,777
	Greater than 3.00%	442,626	—	—	—	442,626
	Total	**$ 861,783**	**$ 2,119**	**$ 157,351**	**$ —**	**$ 1,021,253**
Equity Indexed Universal Life	1.00%-2.00%	$ 533,930	$ —	$ 30,427	$ 487	$ 564,844
	2.00%-3.00%	—	—	66,323	—	66,323
	Greater than 3.00%	—	—	—	—	—
	Total	**$ 533,930**	**$ —**	**$ 96,750**	**$ 487**	**$ 631,167**
Fixed Deferred Annuity	1.00%-2.00%	$ 382,402	$ 481,776	$ 2,009,885	$ 2,248,626	$ 5,122,688
	2.00%-3.00%	863,677	454,325	25,063	540,959	1,884,024
	Greater than 3.00%	94,356	6,194	557	747	101,853
	Total	**$ 1,340,435**	**$ 942,295**	**$ 2,035,505**	**$ 2,790,332**	**$ 7,108,565**
Equity Indexed Annuity	1.00%-2.00%	$ 3,379,897	$ 4,260	$ 642,903	$ 45,595	$ 4,072,655
	2.00%-3.00%	306,327	91,343	106,773	9,292	513,735
	Greater than 3.00%	71,123	6,878	3,489	15,114	96,604
	Total	**$ 3,757,347**	**$ 102,481**	**$ 753,165**	**$ 70,001**	**$ 4,682,994**

For limited-pay products, gross premiums received in excess of net premiums are deferred at initial recognition as deferred profit liability ("DPL"). The assumptions and reflection of experience for DPL will be consistent with those used in the liability for future policy benefits, including the remeasurement methodology. The discount rate used in calculating DPL will be consistent with the locked-in rate used for the liability for future policy benefits.

DPL is amortized in income on a constant basis in relation with benefit payments. For life contingent payout annuities DPL is amortized over expected future benefit payments.

For limited payment traditional life permanent contracts, DPL is amortized over face amount for limited payment traditional life permanent contracts.

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

The balances and changes in the deferred profit liability are shown below (in thousands):

	March 31, 2023	
	Whole Life	Annuity
Balance, beginning of period, at locked-in discount rate	**$ 17,841**	**$ 6,056**
Effect of changes in cash flow assumptions	(25)	(97)
Effect of actual variances from expected experience	91	(501)
Adjusted beginning of period balance	**17,907**	**5,458**
Profits deferred	8,261	1,599
Interest accrual	151	49
Amortization	(4)	(165)
Balance, end of period, at locked-in discount rate	**$ 26,315**	**$ 6,941**

Note 19 - Market Risk Benefits

American National classifies the Lifetime Income Rider ("LIR") as an MRB. The LIR is a rider offering guaranteed minimum withdrawal benefits available on certain fixed indexed annuity products.

The balances of and changes in guaranteed minimum withdrawal benefits associated with annuity contracts follow (in thousands).

	March 31, 2023
	Annuity
Balance, beginning of period	**$ 44,892**
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	**71,195**
Effect of model refinements	—
Effect of non-financial assumption update	—
Attributed fees collected	2,099
Benefit payments	—
Interest Accrual	857
Adjustment from deterministic to stochastic	4,607
Effect of experience variance	(2,799)
Effect of changes in financial assumptions	(603)
Issuance	(134)
Balance, end of period, before effect of changes in nonperformance risk	**75,222**
Effect of changes in the ending instrument-specific credit risk	(17,707)
Balance, end of period	**57,515**
Reinsurance recoverable, end of period	—
Balance, end of period, net of reinsurance	**$ 57,515**

	March 31, 2023
	Annuity
Net amount at risk	$ 485,908
Weighted-average attained age of contract holders amounted	64.18

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the market risk benefits amount in the consolidated statement of financial position follows (in thousands).

	March 31, 2023		
	Asset*	Liability	Net
Annuity	$ 9,087	$ 66,602	$ 57,515

*The asset balance for market risk benefit is included under "other assets" in the Condensed Consolidated Statements of Financial Position (unaudited)

Note 20 - Subsequent Events

The Company evaluated all events and transactions through May 31, 2023, the date the accompanying Condensed Consolidated Financial Statements were available to be issued, that would merit recognition or disclosures in the consolidated financial statements, and determined there were none.

EXHIBIT 11(i)

Unaudited Quarterly Financial Statement of ANAT
for the Quarter-Ended June 30, 2023

AMERICAN NATIONAL GROUP, LLC
(A Wholly-Owned Subsidiary of Brookfield Reinsurance Ltd.,
"Brookfield Reinsurance")

Condensed Consolidated Financial Statements

June 30, 2023

AMERICAN NATIONAL GROUP, LLC

TABLE OF CONTENTS

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(In millions)

	June 30, 2023	December 31, 2022
ASSETS		
Fixed maturity, bonds available-for-sale, at fair value (Allowance for credit losses of $32 in 2023 and $29 in 2022) (Amortized cost $13,624 in 2023 and $14,448 in 2022)	$ 12,804	$ 13,513
Equity securities, at fair value (Cost $204 in 2023 and $457 in 2022)	251	428
Mortgage loans on real estate, net of allowance for credit losses of $43 in 2023 and $38 in 2022	5,655	5,546
Policy loans	380	374
Real estate and real estate partnerships, net of accumulated depreciation of $314 in 2023 and $304 in 2022	1,213	1,036
Investment funds	1,997	1,226
Short-term investments	3,347	1,837
Other invested assets	448	198
Total investments	**26,095**	**24,158**
Cash and cash equivalents	1,897	1,389
Accrued investment income	243	289
Reinsurance recoverables	268	444
Prepaid reinsurance premiums	43	47
Premiums due and other receivables	504	436
Deferred policy acquisition costs	839	661
Market risk benefit	13	10
Property and equipment, net of accumulated depreciation of $324 in 2023 and $314 in 2022	157	186
Deferred tax asset	410	439
Current tax receivable	—	22
Other assets	726	295
Assets held-for-sale	262	—
Goodwill	121	121
Separate account assets	1,145	1,045
Total assets	**$ 32,723**	**$ 29,542**
LIABILITIES		
Future policy benefits		
Life	$ 3,492	$ 3,336
Annuity	1,963	1,466
Health	56	57
Policyholders' account balances	16,025	14,310
Policy and contract claims	1,693	1,786
Market risk benefits, at estimated fair value	66	54
Unearned premium reserve	1,150	1,086
Other policyholder funds	316	322
Liability for retirement benefits	59	67
Long-term debt and accrued interest	1,497	1,496
Notes payable	158	151
Current tax payable	2	—
Other liabilities	910	611
Liabilities held-for-sale	231	—
Separate account liabilities	1,145	1,045
Total liabilities	**28,763**	**25,787**
EQUITY		
American National stockholders' equity:		
Member's equity	4,238	4,129
Accumulated other comprehensive loss	(378)	(448)
Total American National stockholders' equity	**3,860**	**3,681**
Noncontrolling interest	100	74
Total equity	**3,960**	**3,755**
Total liabilities and equity	**$ 32,723**	**$ 29,542**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In millions)

	QTD			YTD		
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
PREMIUMS AND OTHER REVENUES						
Premiums						
Life	$ 104	$ 31	$ 68	$ 214	$ 31	$ 174
Annuity	400	3	3	560	3	10
Health	12	10	21	41	10	54
Property and Casualty	486	147	305	968	147	741
Other policy revenues	103	31	64	200	31	159
Net investment income	382	101	115	723	101	385
Net realized investment gains (loss)	(28)	1	11	(50)	1	21
Increase in investment credit loss	(2)	(33)	(3)	(13)	(33)	(15)
Net gains (losses) on equity securities	71	(12)	(4)	43	(12)	(13)
Other income	13	5	8	21	5	19
Total premiums and other revenues	**1,541**	**284**	**588**	**2,707**	**284**	**1,535**
BENEFITS, LOSSES AND EXPENSES						
Policyholder benefits & claims	972	139	354	1,691	139	831
Change in fair value of market risk benefit	5	(55)	—	(8)	(55)	—
Interest credited to policyholders' account balances	136	5	5	276	5	53
Future policy benefit remeasurement losses	—	(1)	—	(1)	(1)	—
Commissions for acquiring and servicing policies	214	62	107	393	62	264
Other operating expenses	191	65	121	369	65	260
Change in deferred policy acquisition	(94)	(18)	(27)	(142)	(18)	(41)
Total benefits, losses and expenses	**1,424**	**197**	**560**	**2,578**	**197**	**1,367**
Income before federal income tax and other items	**117**	**87**	**28**	**129**	**87**	**168**
Less: Provision (benefit) for federal income taxes						
Current	8	(3)	21	14	(3)	57
Deferred	13	20	(15)	5	20	(24)
Total provision (benefit) for federal income taxes	**21**	**17**	**6**	**19**	**17**	**33**
Income after federal income tax	**96**	**70**	**22**	**110**	**70**	**135**
Other components of net periodic pension benefit (costs), net of tax	2	—	—	1	—	(2)
Net income	**98**	**70**	**22**	**111**	**70**	**133**
Less: Net income (loss) attributable to noncontrolling interest, net of tax	(3)	2	—	2	2	2
Net income attributable to American National	**$ 101**	**$ 68**	**$ 22**	**$ 109**	**$ 68**	**$ 131**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In millions)

	QTD			YTD		
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Net income	**$ 98**	**$ 70**	**$ 22**	**111**	**$ 70**	**$ 133**
Other comprehensive income (loss), net of tax						
Change in net unrealized gains (losses) on securities	(215)	(256)	(246)	124	(256)	(621)
Change in discount rate for liability for future policyholder benefit	62	81	—	(43)	81	—
Change in instrument specific credit risk for market risk benefit	(7)	8	—	(15)	8	—
Defined benefit pension plan adjustment	1	1	2	3	1	5
Total other comprehensive loss, net of tax	**(159)**	**(166)**	**(244)**	**69**	**(166)**	**(616)**
Total comprehensive income (loss)	**(61)**	**(96)**	**(222)**	**180**	**(96)**	**(483)**
Less: Comprehensive income (loss) attributable to noncontrolling interest	(3)	2	—	2	2	2
Total comprehensive income (loss) attributable to American National	**$ (58)**	**$ (98)**	**$ (222)**	**$ 178**	**$ (98)**	**$ (485)**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(In millions, except per share data)

Successor	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Member's Equity
Balance at January 1, 2023	**$ 4,129**	**$ (448)**	**$ 74**	**$ 3,755**
Other comprehensive income	—	229	—	229
Net income attributable to American National	9	—	—	9
Distributions	—	—	(4)	(4)
Net income attributable to noncontrolling interest	—	—	5	5
Balance at March 31, 2023	**$ 4,138**	**$ (219)**	**$ 75**	**$ 3,994**
Other comprehensive loss	—	(159)	—	(159)
Net income attributable to American National	100	—	—	100
Contributions	—	—	28	28
Net loss attributable to noncontrolling interest	—	—	(3)	(3)
Balance at June 30, 2023	**$ 4,238**	**$ (378)**	**$ 100**	**$ 3,960**

Successor	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance at May 25, 2022	**$ 3,614**	**$ —**	**$ 10**	**$ 3,624**
Share issuance	196	—	—	196
Other comprehensive loss	—	(166)	—	(166)
Net income attributable to American National	68	—	—	68
Contributions/Distributions	—	—	(4)	(4)
Net income attributable to noncontrolling interest	—	—	2	2
Balance at June 30, 2022	**$ 3,878**	**$ (166)**	**$ 8**	**$ 3,720**

Predecessor	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance at January 1, 2022	**$ —**	**$ 48**	**$ 147**	**6,799**	**$ 8**	**$ 7,002**
Other comprehensive loss	—	—	(372)	—	—	(372)
Net income attributable to American National	—	—	—	109	—	109
Cash dividends to common stockholders (declared per share of $0.82)	—	—	—	(22)	—	(22)
Net income attributable to noncontrolling interest	—	—	—	—	2	2
Balance at March 31, 2022	**$ —**	**$ 48**	**$ (225)**	**$ 6,886**	**$ 10**	**$ 6,719**
Amortization of restricted stock	—	(1)	—	—	—	(1)
Other comprehensive loss	—	—	(243)	—	—	(243)
Net income attributable to American National	—	—	—	22	—	22
Balance at May 24, 2022	**$ —**	**$ 47**	**$ (468)**	**$ 6,908**	**$ 10**	**$ 6,497**

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In millions)

	Successor	Successor	Predecessor
	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
OPERATING ACTIVITIES			
Net income	$ 111	$ 70	$ 133
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment gains	(2)	(1)	(21)
Realized investment losses	52	1	—
Unrealized (gains) loss on investments and derivatives	(136)	31	208
Income tax expense (benefit)	14	(3)	57
Increase in investment credit loss	13	33	15
Accretion of premiums, discounts and loan origination fees	(45)	(2)	7
Net capitalized interest on policy loans and mortgage loans	(36)	(2)	(13)
Depreciation	23	3	16
Interest credited to policyholders' account balances	276	5	53
Charges to policyholders' account balances	(200)	(31)	(159)
Deferred federal income tax expense (benefit)	5	20	(24)
Equity in earnings of unconsolidated affiliates	—	(12)	(134)
Distributions from unconsolidated affiliates	35	—	—
Income (loss) from equity method investments	(58)	—	88
Changes in:			
Policyholder liabilities	750	66	76
Market risk benefits	(8)	(55)	—
Deferred policy acquisition costs	(142)	(18)	(41)
Reinsurance payables	2	(47)	4
Premiums due and other receivables	(104)	14	(55)
Prepaid reinsurance premiums	3	(1)	2
Accrued investment income	46	(108)	92
Liability for retirement benefits	(12)	(12)	(2)
Other, net	2	7	(459)
Operating activities affecting cash:			
Realized (gain) loss on investments and derivatives	11	1	(16)
Net cash provided by (used in) operating activities	**600**	**(41)**	**(173)**
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of:			
Corporate bonds	$ 2,566	$ 189	$ 922
Preferred shares	38	—	67
Commercial paper	—	1,409	11,837
Government bonds and treasuries	5,820	14	57
Real estate and real estate partnerships	—	—	5
Mortgages	179	150	520
Private equity and other	64	17	97
Disposals of property and equipment	3	2	—
Distributions from equity method investments	80	20	160
Payment for the purchase/origination of:			
Corporate bonds	(2,746)	(361)	(2,181)
Preferred shares	(61)	(3)	(27)
Government bonds and treasuries	(6,347)	—	(9)
Real estate and real estate partnerships	(150)	—	(3)
Mortgages	(308)	(110)	(489)
Private equity and other	(78)	(31)	(122)
Commercial paper	—	(697)	(11,353)

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)
(In millions)

	Successor	Successor	Predecessor
	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Additions to property and equipment	(20)	(7)	(15)
Contributions to real estate and real estate partnerships	(847)	—	—
Contributions to equity method investments	(38)	(55)	(125)
Change in collateral held for derivatives	88	(11)	(147)
Other, net	(4)	—	—
Net cash provided by (used in) investing activities	**(1,761)**	**526**	**(806)**
FINANCING ACTIVITIES			
Issuance of equity	—	45	—
Policyholders’ account deposits	2,948	141	588
Policyholders’ account withdrawals	(1,309)	(112)	(506)
Borrowings from external parties	—	502	12
Repayment of borrowings to external parties	—	(501)	(3)
Debt issuance costs	—	(4)	—
Dividends to stockholders	—	—	(22)
Payments to noncontrolling interest	30	(3)	—
Net cash provided by financing activities	**1,669**	**68**	**69**
Net increase (decrease) in cash and cash equivalents, including subsidiaries held-for-sale	**508**	**553**	**(910)**
Cash and cash equivalents at beginning of the period	1,389	1,021	1,931
Cash and cash equivalents at end of the period	**$ 1,897**	**$ 1,574**	**$ 1,021**

See accompanying notes to the unaudited condensed consolidated financial statements.

Note 1 – Nature of Operations

American National Group, LLC ("ANAT", or the "Company"), through its consolidated subsidiaries (collectively "American National") offers a broad portfolio of insurance products, including individual and group life insurance, annuities, pension risk transfer, health insurance, and property and casualty insurance. Business is conducted in all 50 states, the District of Columbia and Puerto Rico.

On August 6, 2021, ANAT entered into an Agreement and Plan of Merger (the "Merger Agreement") with Brookfield Reinsurance Ltd., formerly known as Brookfield Asset Management Reinsurance Partners Ltd., an exempted company limited by shares existing under the laws of Bermuda, and Freestone Merger Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Brookfield Reinsurance ("Merger Sub"). On May 25, 2022 (the "Closing Date" or "Merger Date"), upon the terms and subject to the conditions of the Merger Agreement, Merger Sub merged with and into the Company (the "Merger"), with the Company continuing as the surviving entity, which became an indirect, wholly-owned subsidiary of Brookfield Reinsurance. The Merger was unanimously approved by the Company's board of directors. The Company received the requisite stockholder approval required under Delaware law for the adoption of the Merger Agreement. The Company has ceased being a registrant with the Securities and Exchange Commission as of the Closing Date. Effective September 30, 2022, the Company converted from a Delaware corporation to a Delaware limited liability company. As a result, the successor period consists of the three and six months ended June 30, 2023 and the comparative period from May 25, 2022 to June 30, 2022. The predecessor period consists of January 1, 2022 through May 24, 2022.

Note 2 – Summary of Significant Accounting Policies and Practices

Basis Presentation

The condensed consolidated financial statements and notes thereto have been prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and are reported in U.S. currency. American National consolidates entities that are wholly-owned and those in which American National owns less than 100% but controls the voting rights, as well as variable interest entities in which American National is the primary beneficiary. Intercompany balances and transactions with consolidated entities have been eliminated. Investments in unconsolidated affiliates, which include real estate partnerships and investment funds, are accounted for using the equity method of accounting. Certain amounts in prior years have been reclassified to conform to current year presentation.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. The interim condensed consolidated financial statements and notes should be read in conjunction with the annual consolidated financial statements and notes thereto as of and for the year ended December 31, 2022, which are posted on the Company website at www.americannational.com. The condensed consolidated results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

The preparation of the consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported consolidated financial statement balances. Actual results could differ from those estimates. Except for balances affected by the adoption of *Accounting Standards Update ("ASU") 2018-12* noted below, the December 31, 2022 consolidated balance sheet data was derived from audited consolidated financial statements which include all disclosures required by GAAP.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree, if applicable, is initially measured at the noncontrolling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

Based on the criteria outlined in ASC 805, *Business Combinations* the Company was deemed the accounting acquiree in the Merger. As a result of the completed Merger, for accounting purposes, our financial statements and notes are presented as "Predecessor" for historical periods prior to the Closing Date and "Successor" for the period after the Closing Date. In accordance with accounting for business combinations, assets and liabilities were adjusted to their fair values as of the Closing Date ("Purchase GAAP Accounting" or "PGAAP"). Additionally, we have elected to apply push-down accounting to reflect the Company's assets and liabilities at fair value. To differentiate between periods, our financial statements and notes columns are titled "Predecessor" and "Successor". This division has been placed to recognize Purchase GAAP Accounting adjustments made and the resulting effect on comparability between the two periods.

Accounting for the business combination is finalized as of December 31, 2022. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation occurred before the end of the measurement period.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded at fair value at the date of acquisition. The following table summarizes the fair value of assets acquired and liabilities assumed as of May 25, 2022 (in millions):

American National Group Inc. Consolidated Balance Sheet*	Company Opening Balance Sheet
ASSETS	
Fixed maturity securities, bonds available for sale, at estimated fair value	$ 15,313
Equity securities, at estimated fair value	82
Mortgage loans on real estate, net of allowance for credit losses	5,136
Policy loans	368
Real estate and real estate partnerships, net of accumulated depreciation	968
Investment funds	988
Short-term investments	1,466
Other invested assets	142
Total investments	**24,463**
Cash and cash equivalents	1,021
Accrued investment income	101
Reinsurance recoverables	455
Prepaid reinsurance premiums	46
Premiums due and other receivables	437
Property and equipment, net of accumulated depreciation	175
Deferred tax assets, net	374
Prepaid pension	149
Intangible asset - VOBA	317
Other assets	166
Goodwill	121
Separate account assets	1,123
Total assets	**28,948**
LIABILITIES	
Future policy benefits	
Life	2,761
Annuity	1,432
Health	46
Policyholders' account balances	13,880
Policy and contract claims	1,706
Market risk benefits, at estimated fair value	172
Unearned premium reserve	1,073
Other policyholder funds	324
Liability for retirement benefits	74
Intangible liability - VOBA	692
Debt	1,495
Notes payable	158
Current tax payable	14
Other liabilities	375
Separate account liabilities	1,123
Total liabilities	**25,325**
EQUITY	
Additional paid-in capital	3,613
Total American National equity	**3,613**
Noncontrolling interest	10
Total equity	**3,623**
Total liabilities and equity	**$ 28,948**

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Adoption of ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts

The Company adopted *ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI")* effective January 1, 2023 with a transition date of May 25, 2022 using a full retrospective approach. LDTI resulted in significant changes to the measurement, presentation and disclosure requirements for long-duration insurance contracts. A summary of the most significant changes follows:

(1) Guaranteed benefits associated with certain annuity contracts have been classified and presented separately on the consolidated balance sheets as Market Risk Benefits ("MRB"). MRBs are now measured at estimated fair value through net income and reported separately on the consolidated statements of operations, except for nonperformance risk changes, which will be recognized in Other Comprehensive Income ("OCI").

(2) Cash flow assumptions used to measure the liability for liability for future policy benefits ("LFPB") on traditional long-duration contracts (including term and non-participating whole life insurance and immediate annuities) have been updated on an annual basis.

(3) The discount rate assumption used to measure the liability for traditional long-duration contracts is now based on an upper-medium grade discount rate with changes recognized in OCI.

(4) DAC for all insurance products is required to be amortized on a constant-level basis over the expected term of the contracts, using amortization methods that are not a function of revenue or profit emergence.

(5) There was a significant increase in required disclosures, including disaggregated rollforwards of insurance contract assets and liabilities supplemented by qualitative and quantitative information regarding the cash flows, assumptions, methods and judgements used to measure those balances.

The following table presents the Company's significant accounting policies which have changed as a result of the adoption of LDTI with cross-references to the notes which provide additional information on such policies.

Accounting Policy	Note
Deferred policy acquisition costs, value of business acquired, unearned revenue and other intangibles	10
Future policy benefit liabilities	18
Policyholder account balances	18
Market risk benefits	19

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses. In accordance with ASC 805, *Business Combinations* existing DAC balance was written off as a result of the Merger. The beginning balance as of May 25, 2022 consists of the Value of Business Acquired ("VOBA") at that date.

Insurance contracts are grouped into cohorts by contract type and issue year consistent with estimating the associated liability for future policy benefits. DAC is amortized on constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. DAC will be amortized over the following bases, all of which provide a constant level representation of contract term:

Product(s)	Amortization base
Traditional life products	Nominal face amount
Life contingent payout annuities	Annualized benefit amount in force
Health products	Original annual premium
Fixed deferred annuities, fixed indexed annuities, variable annuities	Policy count
Universal life products	Initial face amount

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

The bases used for amortization are projected using mortality and lapse assumptions that are based on American National's experience, industry data, and other factors consistent with those used for the liability for future policy benefits.

Amortization of DAC is included in the change in deferred acquisition costs in the consolidated statement of operations.

For short-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts. DAC for short duration contracts is charged to expense in proportion to premium revenue recognized.

Value of business acquired ("VOBA") is an intangible asset or liability resulting from a business combination that represents the difference between the policyholder liabilities measured in accordance with the acquiring company's accounting policies and the estimated fair value of the same acquired policyholder liabilities in-force at the acquisition date. VOBA can be either positive or negative. Positive VOBA is recorded as a component of DAC. Negative VOBA occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities, and is recorded in future policyholder benefits in the consolidated statement of financial condition.

VOBA is amortized on a straight-line basis over the remaining life of the underlying policies consistent with DAC.

Liability for future policy benefits ("LFPB") is equal to the present value of expected benefit payments and claim related expenses to be paid or on behalf of policyholders less the present value of expected net premiums to be collected from policyholders. Principal assumptions used in the establishment of the LFPB are mortality, lapse, incidence, terminations, claim-related expenses, and other contingent events as appropriate to the respective product type. American National groups contracts into annual cohorts based on product type and contract inception date for the purposes of calculating the liability for future policy benefits. A set of qualitative cohorts includes all business issued prior to the acquisition date. Another set of qualitative cohorts includes business issued between the acquisition date and year end 2022. In 2023 and beyond, there is a set of qualitative cohorts for each issue year.

American National updates its estimate of cash flows over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. American National will review cash flow assumptions, including assumptions for claim-related expenses annually in the third quarter. Assumption revisions will be reflected in the net premium ratio and LFPB calculation in the quarter in which assumptions are revised. The net premium ratio reflects cash flows from contract inception to contract termination (i.e.: through the claim paying period) and cannot exceed 100%. Change in the liability due to actual experience is recognized in reserve remeasurement (gains) losses in the consolidated statement of earnings.

American National measures the LFPB at each reporting period. The discount rate assumption is determined by developing a yield curve based on market observable yields for upper-medium fixed income instruments derived from an external index. The net premium ratio is not updated for changes in discount rate assumptions. The difference between the updated carrying amount of the liability for future policy benefits measured using the current discount rate assumption and the original discount rate assumption is recognized in other comprehensive income during the period.

Should the present value of actual and future expected benefits less transition LFPB balance exceed the present value of actual and future expected gross premiums, the net premium ratio is capped at 100% and a gross premium LFPB is held. The immediate charge is the amount by which the uncapped net premium ratio exceeds 100% times the present value of future expected gross premium. This assessment is performed at the cohort level.

American National periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the consolidated statements of operations in the period in which the changes occur.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Payout annuities include single premium immediate annuities, annuitizations of deferred annuities, and pension risk transfer. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as investment contracts. For life contingent annuities, the Company records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and costs, and expense assumptions. Any gross premiums received in excess of the net premium is the deferred profit liability ("DPL") and is recognized separately in income in a constant relationship with the discounted amount of the insurance in-force or expected future benefit payments. These liabilities are recorded in policy liabilities in the consolidated statement of financial position.

For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses). Dividends to participating policyholders were $4.3 million and $4.2 million at June 30, 2023 and 2022, respectively. Income of $0.4 million and $8.0 million was allocated to participating policyholders at June 30, 2023 and 2022, respectively.

For all other participating business, the allocation of dividends to participating policyowners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

Market risk benefits ("MRB") are measured at fair value at the cohort level. Total attributed fees will include explicit rider fees and will not be negative or exceed total contract fees and assessments collectible from the contract holder. There are only rider charges and surrender charges. Surrender charges will not be included in the fair value measurement, as surrender charges do not fund any future benefits. Cash flows are projected using risk-neutral scenarios generated by the company. The Company establishes MRB assets and liabilities for guaranteed minimum withdraw benefits ("GMWB") associated with equity-indexed annuity contracts.

The actuarial assumptions used in the MRB calculation are the company's best estimate assumptions. Assumptions are adjusted to reflect fair value by applying a margin for non-hedgeable risk and an adjustment for own credit spread through the discount rate. The risk-free discount rate is the scenario specific US treasury rate. The assumptions used for MRB are consistent with other fair value calculations performed by American National.

Transition Date Impacts

Due to the acquisition of American National by Brookfield Reinsurance on May 25, 2022 and the guidelines under ASC 805, Business Combinations, the inception date for all contracts issued before that date become May 25, 2022. Under purchase accounting guidelines, fair value of equity must be equal to the purchase price at the acquisition date. As a result, there will not be any impact to the opening balances of retained earnings or accumulated other comprehensive income due to the adoption of the standard on the transition date of May 25, 2022.

The transition impact of the MRBs and LFPB will be recorded to VOBA liability resulting in no impact to shareholders equity, as noted above.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

The following table presents a summary of the Transition Date impacts associated with the implementation of LDTI to the consolidated balance sheet (in millions):

	Future Policy Benefits	Market Risk Benefits	VOBA Liability
As previously reported May 25th, 2022	$ 4,662	$ —	$ 441
Reclassification of carrying amount of contracts and contract features that are market risk benefits	(107)	107	—
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(316)	65	251
As adjusted May 25th, 2022	**$ 4,239**	**$ 172**	**$ 692**

The following table represents transition impacts for future policy benefits by segment.

	Term Life	Whole Life	Annuity
As previously reported May 25th, 2022	$ 616	$ 1,694	$ 1,439
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(85)	(223)	(8)
As adjusted May 25th, 2022	**$ 531**	**$ 1,471**	**$ 1,431**

The following table represents the transition impact to market risk benefits by segment.

	Annuity
As previously reported May 25th, 2022	$ 107
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	65
As adjusted May 25th, 2022	**$ 172**

The Transition Date impacts associated with the implementation of LDTI were applied as follows:

Market risk benefits - The full retrospective transition approach for MRBs required assessing products to determine whether contract or contract features expose the Company to other than nominal capital market risk. The population of MRBs identified was then reviewed to determine the historical measurement model prior to adoption of LDTI.

At the Transition Date, the impacts to the financial statements of the full retrospective approach for MRBs include the following:

- The amounts previously recorded for these contracts within additional insurance liabilities and other insurance liabilities were reclassified to MRB liabilities;
- The difference between the fair value of the MRBs and the previously recorded carrying value at the Transition Date, included the cumulative effect of changes in nonperformance risk of the Company, was recorded as an adjustment to the opening balance of VOBA liability.

Liability for future policy benefits - The full retrospective transition approach for LFPB utilized a defined valuation premium method. This process required grouping contracts in-force as of the Transition Date into cohorts, and then calculating revised LFPB using an updated net premium ratio, best estimate cash flow assumptions without a provision for adverse deviation and the locked-in discount rate. The decrease to the liability for future policy benefits at transition is driven by unlocking of assumptions and measurement at upper medium grade discount rates for traditional life and life contingent payout annuity business.

Due to the acquisition of American National by Brookfield Reinsurance on May 25, 2022 , the balances of deferred acquisition costs, deferred profit liability, unearned revenue, and sales inducement assets were written down to $0 at the acquisition date. As a result, there is no impact to these balances at transition.

Note 3 – Recently Issued Accounting Pronouncements

The following table presents amounts previously reported in 2022, the effect on those amounts of the change due to the adoption of ASU 2018-12 as described in Note 2, and the currently reported amounts in the Unaudited Interim Consolidated Statement of Financial Position (in millions).

	December 31, 2022		
	As Previously Reported	Effect of Adoption	As Adjusted
Reinsurance recoverables, net of allowance for credit losses	$ 447	$ (3)	$ 444
Deferred policy acquisition costs	682	(21)	661
Deferred tax asset	528	(89)	439
Market risk benefit asset	—	10	10
Other assets	292	3	295
Total assets	**$ 29,642**	**$ (100)**	**$ 29,542**
Future policy benefits			
Life	3,585	(249)	3,336
Annuity	1,714	(248)	1,466
Health	47	10	57
Market risk benefit liabilities	—	54	54
Total liabilities	**26,220**	**(433)**	**25,787**
Retained earnings	265	59	324
Accumulated other comprehensive income (loss)	(722)	274	(448)
Total liabilities and equity	**$ 29,642**	**$ (100)**	**$ 29,542**

Other Adopted Accounting Pronouncements

The Company adopted ASU (*ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings ("TDR") and Vintage Disclosures*. The Company adopted this standard on January 1, 2023. This ASU eliminates TDR recognition and measurement guidance and, instead, requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU was applied prospectively and did not have a material impact on the consolidated financial statements upon adoption but could change the future recognition and measurement of modified loans.

Note 3 - Recently Issued Accounting Pronouncements - (Continued)

Future Adoption of Accounting Standards

ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company’s interim condensed consolidated financial statements or disclosures.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.	The amendments in this guidance are effective for all entities as of March 12, 2020 and will sunset through December 31, 2022, at which time the application of exceptions and optional expedients will no longer be permitted. The FASB issued ASU 2022-06 that delayed the sunset date to December 31, 2024.	The inventory of LIBOR exposures has been completed and is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR is not expected to have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements.
ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method	The amendments in this Update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this Update also require specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method.	The amendments in this update are effective for the Company for annual and interim reporting periods beginning January 1, 2024.	The impact of this amendment to the Company's Consolidated Financial Statements and Notes to the Consolidated Financial Statements is currently under evaluation.

Note 4 – Investment in Securities

The cost or amortized cost and fair value of investments in securities are shown below (in millions):

	June 30, 2023				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	$ 67	$ —	$ (2)	$ —	$ 65
U.S. states and political subdivisions	835	—	(24)	—	811
Foreign governments	9	—	—	—	9
Corporate debt securities	10,976	7	(732)	(22)	10,229
Collateralized debt securities	1,610	8	(41)	(9)	1,568
Residential mortgage-backed securities	127	—	(4)	(1)	122
Total bonds available-for-sale	**13,624**	**15**	**(803)**	**(32)**	**12,804**
Total investments in fixed maturity	**$ 13,624**	**$ 15**	**$ (803)**	**$ (32)**	**$ 12,804**

	December 31, 2022				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	$ 41	$ —	$ (1)	$ —	$ 40
U.S. states and political subdivisions	881	—	(25)	(1)	855
Foreign governments	9	—	—	—	9
Corporate debt securities	12,105	6	(830)	(23)	11,258
Collateralized debt securities	1,279	5	(55)	(5)	1,224
Residential mortgage-backed securities	133	—	(6)	—	127
Total bonds available-for-sale	**14,448**	**11**	**(917)**	**(29)**	**13,513**
Total investments in fixed maturity	**$ 14,448**	**$ 11**	**$ (917)**	**$ (29)**	**$ 13,513**

Note 4 – Investment in Securities – (Continued)

The amortized cost and fair value, by contractual maturity, of fixed maturity securities are shown below (in millions):

	June 30, 2023	
	Bonds Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 620	$ 614
Due after one year through five years	4,673	4,514
Due after five years through ten years	4,188	3,859
Due after ten years	4,143	3,817
Total	**$ 13,624**	**$ 12,804**

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of bonds available-for-sale, with the related gross realized gains and losses, are shown below (in millions):

	QTD			YTD		
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Proceeds from sales of fixed maturity, bonds available-for-sale	$ 717	$ 3	$ 9	$ 1,687	$ 3	$ 29
Gross realized gains	1	—	—	1	—	—
Gross realized losses	24	—	—	49	—	—

Gains and losses are determined using specific identification of the securities sold. All held-to-maturity securities were transferred to available-for-sale through a management election allowed under business combination guidance.

In accordance with various regulations, American National has bonds on deposit with regulating authorities with a carrying value of $29.9 million and $51.1 million at June 30, 2023 and December 31, 2022, respectively. In addition, American National has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $41.4 million and $44.8 million at June 30, 2023 and December 31, 2022, respectively.

The components of the change in net unrealized gains (losses) on debt securities are shown below, on a pre-tax basis (in millions):

	QTD			YTD		
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Bonds available-for-sale: change in unrealized gains (losses)	$ (274)	$ (332)	$ (332)	$ 118	$ (332)	$ (997)
Short-term change in unrealized losses	(3)	—	—	37	—	—
Adjustments for						
Deferred policy acquisition costs	—	—	—	—	—	199
Participating policyholders' interest	2	8	8	2	8	13
Deferred federal income tax benefit (expense)	57	68	68	(33)	68	164
Change in net unrealized gains (losses) on debt securities, net of tax	**$ (218)**	**$ (256)**	**$ (256)**	**$ 124**	**$ (256)**	**$ (621)**

Note 4 – Investment in Securities – (Continued)

The components of the change in net gains (losses) on equity securities are shown below (in millions):

	QTD			YTD		
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Unrealized gains (losses) on equity securities	$ 71	$ (12)	$ (6)	$ 42	$ (12)	$ (7)
Net gains (losses) on equity securities sold	—	—	2	1	—	(6)
Net gains (losses) on equity securities	**$ 71**	**$ (12)**	**$ (4)**	**$ 43**	**$ (12)**	**$ (13)**

The gross unrealized losses and fair value of bonds available-for-sale, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below (in millions, except number of issues):

	June 30, 2023								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	17	$ (2)	$ 42	11	$ (1)	$ 22	28	$ (3)	$ 64
U.S. states and political subdivisions	489	(16)	684	40	(8)	97	529	(24)	781
Foreign governments	1	—	9	—	—	—	1	$ —	$ 9
Corporate debt securities	1,170	(442)	5,381	633	(279)	4,059	1,803	(721)	9,440
Collateralized debt securities	54	(39)	911	26	(11)	206	80	$ (50)	$ 1,117
Residential mortgage-backed securities	24	(4)	90	25	(1)	30	49	(5)	120
Total	**1,755**	**$ (503)**	**$ 7,117**	**735**	**$ (300)**	**$ 4,414**	**2,490**	**$ (803)**	**$ 11,531**

	December 31, 2022								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	18	$ (1)	$ 37	—	$ —	$ —	18	$ (1)	$ 37
U.S. states and political subdivisions	580	(25)	833	—	—	—	580	(25)	833
Foreign governments	1	—	9	—	—	—	1	—	9
Corporate debt securities	1,212	(830)	9,952	—	—	—	1,212	(830)	9,952
Collateralized debt securities	71	(55)	777	—	—	—	71	(55)	777
Residential mortgage-backed securities	46	(6)	93	—	—	—	46	(6)	93
Total	**1,928**	**$ (917)**	**$ 11,701**	**—**	**$ —**	**$ —**	**1,928**	**$ (917)**	**$ 11,701**

Note 4 – Investment in Securities – (Continued)

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices. Based on this evaluation, unrealized losses on bonds available-for-sale where an allowance for credit loss was not recorded were concentrated in the Company's fixed maturity securities within the transportation sector.

Equity securities by market sector distribution are shown below, based on fair value:

	June 30, 2023		December 31, 2022	
Energy and utilities	$ 29	11.5 %	$ 31	7.2 %
Finance	205	81.6	374	87.4
Other	17	6.9	23	5.4
Total	**$ 251**	**100 %**	**$ 428**	**100 %**

Allowance for Credit Losses

Available-for-Sale Securities—For available-for-sale bonds in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized cost basis is written down to fair value through income. For bonds available-for-sale that do not meet either indicated criteria, the Company evaluates whether the decline in fair value has resulted from credit events or market factors. In making this assessment, management first calculates the extent to which fair value is less than amortized cost, and then may consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income, limited to the amount fair value is less than amortized cost. Any remaining unrealized loss is recognized in other comprehensive income.

When the discounted cash flow method is used to determine the allowance for credit losses, management's estimates incorporate expected prepayments, if any. Model inputs are considered reasonable and supportable for three years. A mean reversion is applied in years four and five. Credit loss allowance is not measured on accrued interest receivable because the balance is written off to net investment income in a timely manner, within 90 days. Changes in the allowance for credit losses are recognized through the condensed consolidated statement of operations as "(Increase) decrease in investment credit loss."

No accrued interest receivables were written off as of June 30, 2023.

Note 4 – Investment in Securities – (Continued)

The rollforward of the allowance for credit losses for available-for-sale debt securities is shown below (in millions):

Successor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at January 1, 2023	**$ (1)**	**$ (23)**	**$ (5)**	**$ —**	**$ (29)**
Increase in allowance related to purchases	—	—	—	—	—
Reduction in allowance related to dispositions	—	1	—	—	1
Allowance on securities that had an allowance recorded in a previous period	1	11	—	—	12
Allowance on securities where credit losses were not previously recorded	—	(1)	(5)	—	(6)
Balance at March 31, 2023	**$ —**	**$ (12)**	**$ (10)**	**$ —**	**$ (22)**
Increase in allowance related to purchases	—	(2)	—	—	(2)
Reduction in allowance related to dispositions	—	1	—	—	1
Allowance on securities that had an allowance recorded in a previous period	—	6	2	—	8
Allowance on securities where credit losses were not previously recorded	—	(15)	(1)	(1)	(17)
Balance at June 30, 2023	**$ —**	**$ (22)**	**$ (9)**	**$ (1)**	**$ (32)**

Successor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at May 25, 2022	**$ —**	**$ (28)**	**$ (4)**	**$ —**	**$ (32)**
Reduction in allowance related to disposition	—	28	4	—	32
Allowance on securities that had an allowance recorded in a previous period	—	—	—	—	—
Balance at June 30, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

Predecessor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at January 1, 2022	**$ —**	**$ (7)**	**$ (3)**	**$ —**	**$ (10)**
Increase in allowance related to purchases	—	(10)	—	—	(10)
Reduction in allowance related to dispositions	—	—	—	—	—
Allowance on securities that had an allowance recorded in a previous period	—	1	(1)	—	—
Allowance on securities where credit losses were not previously recorded	—	(8)	—	—	(8)
Balance at March 31, 2022	**$ —**	**$ (24)**	**$ (4)**	**$ —**	**$ (28)**
Reduction in allowance related to disposition	—	24	4	—	28
Allowance on securities that had an allowance recorded in a previous period	—	—	—	—	—
Allowance on securities where credit losses were not previously recorded	—	—	—	—	—
Balance at May 24, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

Note 4 – Investment in Securities – (Continued)

Credit Quality Indicators

The Company monitors the credit quality of bonds available-for-sale through the use of credit ratings provided by third party rating agencies, which are updated on a monthly basis. Information is also gathered regarding the asset performance of available-for-sale bonds. The two traditional metrics for assessing interest rate risks are interest-coverage ratios and capitalization ratios, which can also be used in the assessment of credit risk. These risks are mitigated through the diversification of bond investments. Categories of diversification include credit ratings, geographic locations, maturities, and market sector.

Note 5 – Mortgage Loans

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. American National attempts to maintain a diversified portfolio by considering both the location of the underlying collateral as well as the type of mortgage loan. The geographic categories come from the U.S. Census Bureau's "Census Regions and Divisions of the United States."

The distribution based on carrying amount of mortgage loans by location is as follows (in millions, except percentages):

	June 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 886	15.7 %	$ 899	16.2 %
East South Central	45	0.8	66	1.2
Mountain	1,397	24.7	1,361	24.5
Pacific	912	16.1	924	16.7
South Atlantic	984	17.4	967	17.4
West South Central	1,198	21.2	1,068	19.3
Other	233	4.1	261	4.7
Total	**$ 5,655**	**100.0 %**	**$ 5,546**	**100.0 %**

As of June 30, 2023 and December 31, 2022, loans in foreclosure and loans foreclosed are as follows (in millions, except number of loans):

	June 30, 2023		December 31, 2022	
Foreclosure and foreclosed	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
In foreclosure	2	$ 52	1	$ 27
Filed for bankruptcy	—	—	—	—
Total in foreclosure	**2**	**$ 52**	**1**	**$ 27**
Foreclosed	**1**	**$ 27**	**—**	**$ —**

Note 5 – Mortgage Loans – (Continued)

The age analysis of past due loans is shown below (in millions, except percentages):

June 30, 2023	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 900	$ 900	15.8 %
Hotel	—	—	—	—	944	944	16.5
Industrial	—	—	—	—	1,083	1,083	19.0
Office	—	11	27	38	985	1,023	18.0
Parking	—	—	—	—	417	417	7.3
Retail	—	—	25	25	805	830	14.6
Storage	—	—	—	—	119	119	2.1
Other	—	—	—	—	382	382	6.7
Total	**$ —**	**$ 11**	**$ 52**	**$ 63**	**$ 5,635**	**$ 5,698**	**100.0 %**
Allowance for credit losses						(43)	
Total, net of allowance						**$ 5,655**	

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 806	$ 806	14.4 %
Hotel	—	—	—	—	1,009	1,009	18.1
Industrial	—	—	—	—	1,043	1,043	18.7
Office	—	—	27	27	1,105	1,132	20.3
Parking	—	—	—	—	420	420	7.5
Retail	—	—	—	—	842	842	15.1
Storage	—	—	—	—	119	119	2.1
Other	—	—	—	—	213	213	3.8
Total	**$ —**	**$ —**	**$ 27**	**$ 27**	**$ 5,557**	**$ 5,584**	**100.0 %**
Allowance for credit losses						(38)	
Total, net of allowance						**$ 5,546**	

Through the COVID-19 pandemic, American National provided modifications to loans in the form of forbearance of principal and interest payments for up to six months, extensions of maturity dates, and/or provisions for interest only payments. As a result of improved economic conditions, all loans have been paid in full or have completed the modified terms and returned to the original loan agreement as of December 31, 2022, except for three loans. These three loans received additional modifications in the form of extended maturity dates or interest only periods. All loans have fully repaid deferred interest on COVID modifications as of June 30, 2023.

Note 5 – Mortgage Loans – (Continued)

Modifications to Borrowers Experiencing Financial Difficulty

The Company may modify the terms of a loan when the borrower is experiencing financial difficulties, as a means to optimize recovery of amounts due on the loan. Modifications may involve temporary relief, such as payment forbearance for a short period of time (where interest continues to accrue) or may involve more substantive changes to a loan. Changes to the terms of a loan, pursuant to a modification agreement, are factored into the analysis of the loan's expected credit losses, under the allowance model applicable to the loan.

For commercial mortgage loans, modifications for borrowers experiencing financial difficulty are tailored for individual loans and may include interest rate relief, maturity extensions or, less frequently, principal forgiveness. For residential mortgage loans, the most common modifications for borrowers experiencing financial difficulty, aside from insignificant delays in payment, typically involve interest rate relief, deferral of missed payments to the end of the loan term, or maturity extensions.

For the six months ended June 30, 2023, the Company granted additional extensions on five previously restructured loans totaling $85.7 million in amortized cost. The loan term modifications ranged from 6 months to 24 months and represented approximately 1.4% of the portfolio segment.

Note 5 – Mortgage Loans – (Continued)

Allowance for Credit Losses

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses and allowances. The allowance for credit losses is based upon the current expected credit loss model. The model considers past loss experience, current economic conditions, and reasonable and supportable forecasts of future conditions. Reversion for the allowance calculation is implicit in the models used to determine the allowance. The methodology uses a discounted cash flow approach based on expected cash flows.

The Predecessor balance of $92.8 million at May 24, 2022 was closed out and the Successor recovered the entire allowance balance after the Merger as required by PGAAP guidance. The provision of $34.9 million is the net amount of recovery and adjustment for the second quarter of 2022. Refer to Note 1, Nature of Operations, for more information.

The rollforward of the allowance for credit losses for mortgage loans is shown below (in millions):

Successor	Commercial Mortgage Loans
Balance at January 1, 2023	**$ (38)**
Provision	(11)
Balance at March 31, 2023	**(49)**
Provision	6
Balance at June 30, 2023	**$ (43)**

Successor	Commercial Mortgage Loans
Balance at May 25, 2022	**$ —**
Provision	(35)
Balance at June 30, 2022	**$ (35)**

Predecessor	Commercial Mortgage Loans
Balance at January 1, 2022	**$ (97)**
Provision	4
Balance at March 31, 2022	**$ (93)**
Provision	—
Balance at May 24, 2022	**$ (93)**

The increase in allowance from prior year is driven by two loans in foreclosure with anticipated losses of $13.3 million. These allowances are partially offset by lower allowances on improving properties.

Note 5 – Mortgage Loans – (Continued)

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below (in millions):

	June 30, 2023		December 31, 2022	
	Asset Balance	Allowance	Asset Balance	Allowance
Apartment	$ 900	$ (2)	$ 806	$ (1)
Hotel	944	(7)	1,010	(6)
Industrial	1,083	(1)	1,043	(4)
Office	1,023	(18)	1,132	(17)
Parking	417	(4)	420	(6)
Retail	830	(9)	842	(4)
Storage	119	(1)	119	—
Other	382	(1)	212	—
Total	**$ 5,698**	**$ (43)**	**$ 5,584**	**$ (38)**

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by property-type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below (in millions):

	Amortized Cost Basis by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
Apartment	$ —	$ 379	$ 197	$ 83	$ 140	$ 101	$ 900
Hotel	25	218	32	39	130	500	944
Industrial	—	309	177	217	130	250	1,083
Office	—	89	5	24	46	859	1,023
Parking	—	55	29	27	13	293	417
Retail	—	233	117	65	35	380	830
Storage	—	8	21	36	38	16	119
Other	105	137	45	—	28	67	382
Total	**$ 130**	**$ 1,428**	**$ 623**	**$ 491**	**$ 560**	**$ 2,466**	**$ 5,698**
Allowance for credit losses							(43)
Total, net of allowance							**$ 5,655**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At June 30, 2023, two commercial loans were past due over 90 days or in non-accrual status.

Off-Balance Sheet Credit Exposures

The Company has off-balance sheet credit exposures related to non-cancellable unfunded commitment amounts on commercial mortgage loans. We estimate the allowance for these exposures by applying the allowance rate we computed for each property type to the related outstanding commitment amounts. As of June 30, 2023, we have included a $1.4 million liability in other liabilities on the condensed consolidated statements of financial position based on unfunded loan commitments of $553.6 million.

Note 6 - Real Estate and Other Investments

The carrying amount of investment real estate, net of accumulated depreciation, and real estate partnerships by property-type and geographic distribution are as follows (in millions, except percentages):

	June 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Hotel	$ 85	7.0 %	$ 77	7.5 %
Industrial	161	13.3	168	16.2
Land	48	4.0	48	4.7
Office	384	31.6	243	23.5
Retail	211	17.4	212	20.5
Apartments	321	26.4	254	24.5
Other	3	0.3	34	3.1
Total	**$ 1,213**	**100.0 %**	**$ 1,036**	**100.0 %**

	June 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 104	8.6 %	$ 98	9.5 %
East South Central	25	2.0	28	2.7
Mountain	235	19.4	240	23.1
Pacific	173	14.2	160	15.5
South Atlantic	199	16.4	88	8.5
West South Central	404	33.3	371	35.8
Other	73	6.1	51	4.9
Total	**$ 1,213**	**100.0 %**	**$ 1,036**	**100.0 %**

As of June 30, 2023, no real estate investments met the criteria as held-for-sale.

Consolidated VIEs

American National regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities ("VIEs"). In certain instances, in addition to an economic interest in the entity, American National holds the power to direct significant activities of the entity and is deemed the primary beneficiary. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of American National, as American National's obligation is limited to the amount of its committed investment. American National has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs in 2023 or 2022.

Note 6 – Real Estate and Other Investments – (Continued)

The assets and liabilities relating to the VIEs included in the condensed consolidated financial statements are as follows (in millions):

	June 30, 2023	December 31, 2022
Fixed maturity securities, bonds available-for-sale, at estimated fair value	$ 405	$ —
Mortgage loans on real estate, net of allowance for credit losses	75	—
Real estate and real estate partnerships, net of accumulated depreciation	261	132
Investment funds	1,053	800
Short-term investments	1	1
Total investments	**1,795**	**933**
Cash and cash equivalents	14	13
Premiums due and other receivables	2	2
Other assets	33	14
Total assets of consolidated VIEs	**$ 1,844**	**$ 962**
Notes payable	158	151
Other liabilities	67	11
Total liabilities of consolidated VIEs	**$ 225**	**$ 162**

The notes payable in the condensed consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $10.1 million and $10.5 million at June 30, 2023 and December 31, 2022, respectively.

The total long-term notes payable of the consolidated VIEs consists of the following (in millions):

Interest rate	Maturity	June 30, 2023	December 31, 2022
LIBOR or Equivalent	2023	$ 11	$ 11
4.18% fixed	2024	61	62
3.25%	2026	7	6
1M SOFR + 2.5%, Rate Floor 3.5%	2029	73	72
Total notes payable of ANTAC consolidated VIEs		**$ 152**	**$ 151**
Other notes payable		6	—
Total notes payable of consolidated VIEs		**$ 158**	**$ 151**

Unconsolidated VIEs

	June 30, 2023		December 31, 2022	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate and real estate partnerships	$ 331	$ 331	$ 317	$ 317
Mortgage loans on real estate	588	588	601	601
Accrued investment income	2	2	2	2

American National's equity in earnings of real estate partnerships is the Company's share of operating earnings and realized gains from investments in real estate joint ventures and other limited partnership interests ("joint ventures") using the equity method of accounting.

The Company's total investment in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships, was comprised of $2.5 billion and $1.7 billion at June 30, 2023 and December 31, 2022, respectively.

Note 7 – Derivative Instruments

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments for accounting purposes under GAAP. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. The detail of derivative instruments is shown below (in millions, except number of instruments):

		June 30, 2023			December 31, 2022		
Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Financial Position	Number of Instruments	Notional Amounts	Estimated Fair Value	Number of Instruments	Notional Amounts	Estimated Fair Value
Equity-indexed options	Other invested assets	604	$ 3,859	$ 215	531	$ 3,773	$ 121
Equity-indexed embedded derivative	Policyholders' account balances	136,254	3,695	809	134,505	3,658	726

Gains (Losses) Recognized in Income on Derivatives

		QTD			YTD		
		Successor	Successor	Predecessor	Successor	Successor	Predecessor
Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Operations	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Equity-indexed options	Net investment income	$ (47)	$ (20)	$ (92)	$ (71)	$ (20)	$ (128)
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	(51)	24	57	(72)	24	97

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government-backed assets. The non-performance risk is the net counterparty exposure based on fair value of open contracts less fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. A right of offset has been applied to collateral that supports credit risk and has been recorded in the condensed consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Note 7 – Derivative Instruments – (Continued)

Information regarding the Company's exposure to credit loss on the options it holds is presented below (in millions):

		June 30, 2023						
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Bank of America	A2/A-	$ 20	$ 19	$ —	$ 19	$ 19	$ —	$ 1
Barclays	Baa2/BBB	42	32	10	42	42	—	—
Credit Suisse	Baa1/BBB	21	20	—	20	20	—	1
ING	Baa1/A-	9	10	—	10	9	1	—
JP Morgan Chase	A1/A-	5	—	—	—	—	—	5
Morgan Stanley	A1/A-	40	35	6	41	40	1	—
NATIXIS*	A1/A	6	6	—	6	6	—	—
Truist	A3/A-	49	47	5	52	49	3	—
Wells Fargo	A1/BBB+	23	25	—	25	23	2	—
Total		**$ 215**	**$ 194**	**$ 21**	**$ 215**	**$ 208**	**$ 7**	**$ 7**

		December 31, 2022						
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Bank of America	A2/A-	$ 5	$ 5	$ —	$ 5	$ 5	$ —	$ —
Barclays	Baa2/BBB	27	17	10	27	27	—	—
Credit Suisse	Baa1/BBB+	6	5	—	5	5	—	1
ING	Baa1/A-	9	9	—	9	9	—	—
Morgan Stanley	A1/BBB+	23	17	6	23	23	—	—
NATIXIS*	A1/A	19	19	—	19	19	—	—
Truist	A3/A-	22	18	5	23	22	1	—
Wells Fargo	A1/BBB+	10	10	—	10	10	—	—
Total		**$ 121**	**$ 100**	**$ 21**	**$ 121**	**$ 120**	**$ 1**	**$ 1**

* *Collateral is prohibited from being held in invested assets.*

Note 8 – Net Investment Income and Realized Investment Gains (Losses)

Net investment income is shown below (in millions):

	QTD			YTD		
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Bonds	$ 167	$ 57	$ 85	$ 324	$ 57	$ 223
Short-term investments	58	6	4	92	6	4
Equity securities	—	—	—	—	—	1
Mortgage loans	73	24	40	142	24	123
Real estate and real estate partnerships	—	22	56	20	22	111
Investment funds	31	7	16	50	7	34
Equity-indexed options	47	(20)	(92)	71	(20)	(128)
Other invested assets	6	5	6	24	5	17
Total	**$ 382**	**$ 101**	**115**	**$ 723**	**$ 101**	**$ 385**

Net investment income from equity method investments, comprised of real estate partnerships and investment funds was $29.9 million and $99.4 million for the three months ended June 30, 2023 and 2022, respectively. Net investment income from equity method investments, comprised of real estate partnerships and investment funds was $65.6 million and $169.6 million for the six months ended June 30, 2023 and 2022, respectively.

Net realized investment gains (losses) are shown below (in millions):

	QTD			YTD		
	Successor	Successor	Predecessor	Successor	Successor	Predecessor
	Three months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from April 1, 2022 through May 24, 2022	Six months ended June 30, 2023	Period from May 25, 2022 through June 30, 2022	Period from January 1, 2022 through May 24, 2022
Bonds	$ (23)	$ —	$ 3	$ (48)	$ —	$ 10
Mortgage loans	(6)	—	—	(6)	—	—
Real estate	1	1	8	4	1	11
Other invested assets	—	—	—	—	—	—
Total	**$ (28)**	**$ 1**	**$ 11**	**$ (50)**	**$ 1**	**$ 21**

Note 9 – Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments are shown below (in millions):

	June 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity, bonds available-for-sale	12,804	12,804	13,513	13,513
Equity securities	251	251	428	428
Equity-indexed options, included in other invested assets	215	215	121	121
Mortgage loans on real estate, net of allowance	5,655	5,446	5,546	5,307
Policy loans	380	380	374	374
Short-term investments	3,347	3,347	1,837	1,837
Separate account assets ($1,115 and $1,013 included in fair value hierarchy)	1,145	1,145	1,045	1,045
Separately managed accounts, included in other invested assets	127	127	127	127
Total financial assets	**$ 23,924**	**$ 23,715**	**$ 22,991**	**$ 22,752**
Financial liabilities				
Investment contracts	$ 11,508	$ 11,508	9,780	9,780
Embedded derivative liability for equity-indexed contracts	809	809	726	726
Notes payable	158	158	151	151
Separate account liabilities ($1,115 and $1,013 included in fair value hierarchy)	1,145	1,145	1,045	1,045
Total financial liabilities	**$ 13,620**	**$ 13,620**	**$ 11,702**	**$ 11,702**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. American National has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect American National's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Note 9 – Fair Value of Financial Instruments – (Continued)

Valuation Techniques for Financial Instruments Recorded at Fair Value

Fixed Maturity Securities and Equity Options—American National utilizes a pricing service to estimate fair value measurements. The fair value for fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Since fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on the asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

American National has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant’s assumptions. American National does not adjust quotes received from the pricing service. The pricing service utilized by American National has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

American National holds a small amount of private placement debt and fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent pricing source (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, American National includes these fair value estimates in Level 3.

For securities priced using a quote from an independent pricing source, such as the equity-indexed options and certain fixed maturity securities, American National uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities—For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. American National tests the accuracy of the information provided by reference to other services annually.

Short-term Investments—Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Note 9 – Fair Value of Financial Instruments – (Continued)

Separate Account Assets and Liabilities—Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of American National. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. American National reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from American National's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, American National's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the condensed consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of American National.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and fixed maturity bonds available-for-sale. Equity securities are classified as Level 1 measurements. Short-term investments and fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investment funds, accrued investment income, and receivables for securities. These are not financial instruments and are not included in the quantitative disclosures of fair value hierarchy table.

The balances and changes in separate account assets and liabilities for the six months ended June 30, 2023 were as follows (in millions):

	June 30, 2023			
	Variable Life	Variable Annuities	Pension	Total
Balance, beginning of year	**$ 230**	**$ 350**	**$ 465**	**$ 1,045**
Premiums and deposits	6	32	1	39
Policy charges	(5)	(2)	—	(7)
Surrenders and withdrawals	(9)	(38)	—	(47)
Benefit payments	—	—	(12)	(12)
Investment performance	32	39	57	128
Net transfers from (to) general account	—	—	(1)	(1)
Balance, end of period	**$ 254**	**$ 381**	**$ 510**	**$ 1,145**
Cash Surrender Value	$ 274	$ 376	$ —	$ 650

Embedded Derivatives—The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract's surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.
- Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index. At June 30, 2023 and December 31, 2022, the one year implied volatility used to estimate embedded derivative value was 11.0% and 23.4%, respectively.

Note 9 – Fair Value of Financial Instruments – (Continued)

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

	Fair Value			Range	
	June 30, 2023	December 31, 2022	Unobservable Input	June 30, 2023	December 31, 2022
Security type					
Embedded derivative					
Indexed Annuities	$ 766	$ 714	Lapse Rate	1-50%	1-50%
			Mortality Multiplier	100%	100%
			Equity Volatility	10-64%	16-66%
Indexed Life	$ 43	$ 12	Equity Volatility	14-62%	16-66%

Quantitative Disclosures

The fair value hierarchy measurements of the financial instruments are shown below (in millions):

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at June 30, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 65	$ 65	$ —	$ —
U.S. states and political subdivisions	811	—	811	—
Foreign governments	9	—	9	—
Corporate debt securities	10,229	—	8,652	1,577
Residential mortgage-backed securities	122	—	122	—
Collateralized debt securities	1,568	—	372	1,196
Total bonds available-for-sale	**$ 12,804**	**$ 65**	**$ 9,966**	**$ 2,773**
Equity securities				
Common stock	199	193	—	$ 6
Preferred stock	52	22	—	30
Total equity securities	**$ 251**	**$ 215**	**$ —**	**$ 36**
Options	215	—	—	215
Short-term investments	3,347	1,163	—	2,184
Separate account assets	1,115	372	743	—
Separately managed accounts	127	—	—	127
Total financial assets	**$ 17,859**	**$ 1,815**	**$ 10,709**	**$ 5,335**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 809	$ —	$ —	$ 809
Separate account liabilities	1,115	372	743	—
Total financial liabilities	**$ 1,924**	**$ 372**	**$ 743**	**$ 809**

Note 9 – Fair Value of Financial Instruments – (Continued)

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 40	$ 40	$ —	$ —
U.S. states and political subdivisions	855	—	855	—
Foreign governments	9	—	9	—
Corporate debt securities	11,258	—	10,525	733
Residential mortgage-backed securities	127	—	127	
Collateralized debt securities	1,224	—	362	862
Total bonds available-for-sale	**$ 13,513**	**$ 40**	**$ 11,878**	**$ 1,595**
Equity securities				
Common stock	372	203	—	169
Preferred stock	57	22	—	35
Total equity securities	**$ 429**	**$ 225**	**$ —**	**$ 204**
Options	121	—	—	121
Short-term investments	1,837	595	—	1,242
Separate account assets	1,013	314	699	—
Separately managed accounts	127	—	—	127
Total financial assets	**$ 17,040**	**$ 1,174**	**$ 12,577**	**$ 3,289**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 726	$ —	$ —	$ 726
Separate account liabilities	1,013	314	699	—
Total financial liabilities	**$ 1,739**	**$ 314**	**$ 699**	**$ 726**

Note 9 – Fair Value of Financial Instruments – (Continued)

For financial instruments measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below (in millions):

	Level 3			
	Three months ended June 30, 2023			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning Balance	**$ 4,292**	**$ 167**	**$ 127**	**$ 784**
Net gain for derivatives and bonds included in net investment income	11	47	—	—
Net change included in interest credited	—	—	—	51
Net fair value change included in other comprehensive income	—	—	(1)	—
Purchases, sales and settlements or maturities				
Purchases	819	30	3	—
Sales	(629)	—	(2)	—
Settlements or maturities	—	(29)	—	—
Premiums less benefits	—	—	—	(26)
Ending balance at June 30, 2023	**$ 4,493**	**$ 215**	**$ 127**	**$ 809**

	Level 3			
	Six months ended June 30, 2023			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning Balance	**$ 3,039**	**$ 121**	**$ 127**	**$ 726**
Net gain for derivatives and bonds included in net investment income	96	71	—	—
Net change included in interest credited	—	—	—	72
Net fair value change included in other comprehensive income	—	—	(1)	—
Purchases, sales and settlements or maturities				
Purchases	2,224	61	12	—
Sales	(866)	—	(11)	—
Settlements or maturities	—	(38)	—	—
Premiums less benefits	—	—	—	11
Ending balance at June 30, 2023	**$ 4,493**	**$ 215**	**$ 127**	**$ 809**

	Level 3			
	Period from May 25, 2022 through June 30, 2022			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 376**	**$ 115**	**$ 113**	**$ 745**
Net gain (loss) for derivatives included in net investment income	—	(20)	—	—
Net change included in interest credited	—	—	—	(24)
Net fair value change included in other comprehensive income	—	—	—	—
Purchases, sales and settlements or maturities				
Purchases	368	8	11	—
Sales	(3)	—	(6)	—
Settlements or maturities	—	(2)	—	—
Premiums less benefits	—	—	—	3
Ending balance at June 30, 2022	**$ 741**	**$ 101**	**$ 118**	**$ 724**

Note 9 – Fair Value of Financial Instruments – (Continued)

	Level 3			
	Period from April 1, 2022 through May 24, 2022			
	Assets			Liability
Predecessor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 291**	**$ 205**	**$ 105**	**$ 795**
Net loss for derivatives included in net investment income	—	(92)	—	—
Net change included in interest credited	—	—	—	(57)
Net fair value change included in other comprehensive income	—	—	—	—
Purchases, sales and settlements or maturities				
Purchases	116	20	10	—
Sales	(30)	—	(2)	—
Settlements or maturities	—	(19)	—	—
Premiums less benefits	—	—	—	7
Ending balance at May 24, 2022	**$ 377**	**$ 114**	**$ 113**	**$ 745**

	Level 3			
	Period from January 1, 2022 through May 24, 2022			
	Assets			Liability
Predecessor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 281**	**$ 259**	**$ 100**	**$ 833**
Net loss for derivatives included in net investment income	—	(128)	—	—
Net change included in interest credited	—	—	—	(97)
Net fair value change included in other comprehensive income	—	—	—	—
Purchases, sales and settlements or maturities				
Purchases	146	44	23	—
Sales	(50)	—	(10)	—
Settlements or maturities	—	(61)	—	—
Premiums less benefits	—	—	—	9
Ending balance at May 24, 2022	**$ 377**	**$ 114**	**$ 113**	**$ 745**

Within the net gain (loss) for derivatives included in net investment income were unrealized losses of $83.0 million and unrealized gains of $19.6 million, relating to assets still held at June 30, 2023 and 2022, respectively.

There were no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. American National's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions. Approximately $575 million of level 3 securities were priced by third party services in the successor periods presented.

Equity-index Options—Certain over the counter equity options are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Note 9 – Fair Value of Financial Instruments – (Continued)

The following summarizes the fair value (in millions), valuation techniques and unobservable inputs of the Level 3 fair value measurements:

	Fair Value at June 30, 2023	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 1	Guideline public company method (1)	Recurring Revenue Multiple	6.3x
			LTM EBITDA Multiple	0
		CVM		0
			LTM Revenue Multiple	2.1x
			NCY Revenue Multiple	0
			NCY Cash Flow Multiple	5.0x
			NCY EBITDA Multiple	0
Preferred stock	5	Guideline public company method	LTM Revenue Multiple (4)	4x
		CVM	Priced at cost, LTM EBITDA Multiple	0
			NCY Revenue Multiple	0
			LTM EBITDA Multiple	12.7x
			NCY CF Multiple	5x
			Term (Years)	1.1
			LTM EBITDA (est.) Multiple	7.5x
			NCY EBITDA Multiple	0
			NTM Adj. EBITDA Multiple	9x
			NCY Cash Flow Multiple	5x
			Option pricing method, Volatility	73.6x
			Market Transaction	0
Bonds	331	Priced at cost		
Separately managed accounts	$ 127	Discounted cash flows (yield analysis)	Discount rate	8.80-18.50%
		CVM	NCY EBITDA	0x
		Market transaction		N/A

	Fair Value at December 31, 2022	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 1	Guideline public company method (1)	LTM Revenue Multiple	3xx
		CVM	NCY Revenue Multiple (6)	0.6x
			NCY EBITDA Multiple	5.5x
			LQA Recurring Revenue Multiple (7)	7.25
Preferred stock	$ 5	Guideline public company method	LTM Revenue Multiple (4)	5.4x
		CVM	NCY Revenue Multiple	6.82x
			LTM EBITDA Multiple	5.50x
			NCY EBITDA Multiple (8)	5.50x
Bonds	$ 312	Priced at cost	Coupon rate	4.00-11.13%
Separately managed accounts	$ 127	Discounted cash flows (yield analysis)	Discount rate	7.60-21.10%
		CVM	NCY EBITDA	0x
		Market transaction		N/A

(1) Guideline public company method uses price multiples from data on comparable public companies. Multiples are then adjusted to account for differences between what is being valued and comparable firms.

(2) Recurring Revenue Multiple for the most relevant period of time, measures the value of the equity or a business relative to the revenues it generates.

(3) Last Twelve Months ("LTM") EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization ("EBITDA") adjustments for the past 12 month period.

(4) LTM Revenue Multiple valuation metric shows revenue for the past 12 month period.

(5) Next Calendar Year ("NCY") EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.

(6) NCY Revenue forecast revenue over the next calendar year.

(7) Last quarter annualized recurring revenue. Total recurring revenue realized during the previous quarter multiplied by 4.

Note 9 – Fair Value of Financial Instruments – (Continued)

Investment Securities—These bonds use cost as the best estimate of fair value. They are valued at cost because the value would not change unless there is a fundamental deterioration in the portfolio. There is no observable market valuation price or third-party sources that provide market values for these securities since they are not publicly traded. The common and preferred stock are valued at market transaction, option pricing method, or guideline public company method based on the best available information.

Separately Managed Accounts—The separately managed account manager uses the mid-point of a range from a third-party to price these securities. Discounted cash flows (yield analysis) and market transactions approach are used in the valuation. They use discount rate which is considered an unobservable input.

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair value is discussed below:

Mortgage Loans—The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property-type, lien priority, payment type and current status.

Policy Loans—The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, American National believes the carrying value of policy loans approximates fair value.

Investment Contracts—The carrying value of investment contracts is equivalent to the accrued account balance. The accrued account balance consists of deposits, net of withdrawals, net of interest credited, fees and charges assessed and other adjustments. American National believes that the carrying value of investment contracts approximates fair value because the majority of these contracts' interest rates reset at anniversary.

Notes Payable—Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

Note 9 – Fair Value of Financial Instruments – (Continued)

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below (in millions):

	June 30, 2023		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,655	5,446
Policy loans	Level 3	380	380
Total financial assets		**$ 6,035**	**$ 5,826**
Financial liabilities			
Investment contracts	Level 3	$ 11,508	$ 11,508
Long-term debt	Level 3	1,497	1,472
Notes payable	Level 3	158	158
Total financial liabilities		**$ 13,163**	**$ 13,138**

	December 31, 2022		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,546	$ 5,207
Policy loans	Level 3	374	374
Total financial assets		**$ 5,920**	**$ 5,581**
Financial liabilities			
Investment contracts	Level 3	$ 9,780	$ 9,780
Long-term debt	Level 3	1,496	1,496
Notes payable	Level 3	151	151
Total financial liabilities		**$ 11,427**	**$ 11,427**

Note 10 – Deferred Policy Acquisition Costs and Value of Business Acquired

The changes in the asset for DAC and VOBA for the six months ended June 30, 2023 were as follows (in millions):

	Life	Annuity	Health	Property & Casualty	Total
Beginning balance at January 1, 2023	**$ 397**	**$ 72**	**$ 7**	**$ 185**	**$ 661**
Additions	116	93	4	227	440
Amortization	(20)	(7)	(3)	(232)	(262)
Net change	**96**	**86**	**1**	**(5)**	**178**
Ending balance at June 30, 2023	**$ 493**	**$ 158**	**$ 8**	**$ 180**	**$ 839**

Commissions comprise the majority of additions to deferred policy acquisition costs.

The changes in negative VOBA for the six months ended June 30, 2023 were as follows:

	Life	Annuity	Total
Balance at January 1, 2023	**$ 712**	**$ 172**	**$ 884**
Amortization	(61)	(6)	(67)
Net change	**(61)**	**(6)**	**(67)**
Balance at June 30, 2023	**$ 651**	**$ 166**	**$ 817**

The following table provides the projected VOBA amortization expenses for a five-year period and thereafter (in millions):

Years	**Asset**
2023	$ 17
2024	31
2025	28
2026	25
2027	22
Thereafter	262
Total amortization expense	**$ 385**

The amortization of the VOBA asset is included in the change in deferred acquisition costs in the consolidated statement of operations.

Note 11 – Liability for Unpaid Claims and Claim Adjustment Expenses

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the condensed consolidated statements of financial position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the condensed consolidated results of operations in the period in which the changes occur. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below (in millions):

	Successor	Successor	Predecessor
	Six months ended June 30, 2023	**Period from May 25, 2022 through June 30, 2022**	**Period from January 1, 2022 through May 24, 2022**
Unpaid claims balance, beginning	$ 1,555	$ 1,496	$ 1,455
Less: Reinsurance recoverables	305	281	288
Net beginning balance	1,250	1,215	1,167
Incurred related to			
Current	816	137	562
Prior years	(22)	(6)	(21)
Total incurred claims	794	131	541
Paid claims related to			
Current	342	78	225
Prior years	348	38	268
Total paid claims	690	116	493
Net balance	1,354	1,230	1,215
Plus: Reinsurance recoverables	303	290	281
Unpaid claims balance, ending	$ 1,657	$ 1,520	$ 1,496

Estimates for ultimate incurred claims attributable to insured events of prior years' decreased by approximately $22.3 million during the first six months of 2023 and decreased by $27.3 million during the same period in 2022. The favorable development in 2023 during the "Successor" period was a reflection of lower-than-anticipated losses arising from agribusiness, businessowners, commercial automotive, and commercial other lines of business. The favorable development in 2022 during the "Predecessor" period was a reflection of lower-than-anticipated settlement of losses arising from the guaranteed asset protection waiver line of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at June 30, 2023 and December 31, 2022 was $15.6 million and $16.0 million, respectively.

Note 12 – Federal Income Taxes

A reconciliation of the effective tax rate to the statutory federal tax rate is shown below (in millions, except percentages):

	QTD						YTD					
	Successor		Successor		Predecessor		Successor		Successor		Predecessor	
	Three months ended June 30, 2023		Period from May 25, 2022 through June 30, 2022		Period from April 1, 2022 through May 24, 2022		Six months ended June 30, 2023		Period from May 25, 2022 through June 30, 2022		Period from January 1, 2022 through May 24, 2022	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Total expected income tax expense at the statutory rate	$ 25	21.0 %	$ 18	21.0 %	$ 6	21.0 %	$ 27	21.0 %	$ 18	21.0 %	$ 35	21.0 %
Tax-exempt investment income	(1)	(0.9)	—	—	(1)	(3.6)	(1)	(0.8)	—	—	(2)	(1.2)
Tax credits, net	(5)	(4.3)	—	—	(1)	(3.6)	(9)	(6.9)	—	—	(2)	(1.2)
Low income housing tax credit expense	1	0.9	—	—	1	3.6	1	0.8	—	—	1	0.6
Merger transaction costs	—	—	1	11.5	3	11.1	—	—	1	11.5	3	1.8
Deferred tax adjustment	—	—	—	—	(2)	(7.1)	—	—	—	—	(2)	(1.2)
Other items, net	1	1.2	(2)	(13.0)	—	—	1	0.6	(2)	(13.0)	—	—
Total	**$ 21**	**17.9 %**	**$ 17**	**19.5 %**	**$ 6**	**21.4 %**	**$ 19**	**14.7 %**	**$ 17**	**19.5 %**	**$ 33**	**19.8 %**

For the three and six months ended June 30, 2023, American National received income tax refunds of $1.0 million and $15.9 million respectively, and made income tax payments of $0.0 million and $2.3 million, respectively. As of June 30, 2023, American National had net operating loss carryforwards of $218 million and no material tax credit carryforwards. Net operating loss carryforwards, if not utilized, will expire in 2043.

American National is a party to a tax sharing agreement with its parent, BAMR US Holdings, LLC. In accordance with the agreement, if American National has taxable income, it pays its share of the consolidated federal income tax liability to its parent. However, if American National incurs a tax loss, the tax benefit is recovered by decreasing subsequent year's federal income tax payments to its parent.

American National's federal income tax returns for tax years 2018 to 2021 are subject to examination by the Internal Revenue Service. In 2021, we filed amended returns for tax years 2017 and 2018 resulting in a tax refund. In April 2022, the IRS requested, and we accepted, a request to extend the statute of limitations on the 2018 tax year to October 2023 in order to allow more time to review our refund claim. Our refunds were received in April 2023. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld.

As of June 30, 2023, American National had no provision for uncertain tax positions and no provision for penalties or interest. In addition, management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would impact American National's effective tax rate.

Note 13 – Accumulated Other Comprehensive Income (Loss)

According to PGAAP Accounting, accumulated other comprehensive income (loss) ("AOCI"), was written off as a result of the Merger with Brookfield Reinsurance. The components of and changes in AOCI are shown below (in millions):

Successor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Change in Discount Rate Used to Measure LFPB	Change in Fair Value of Market Risk Benefits	Accumulated Other Comprehensive Income (Loss)
Beginning balance at January 1, 2023	**$ (722)**	**$ 1**	**$ (1)**	**$ 253**	**$ 21**	**$ (448)**
Amounts reclassified from AOCI	30	4	—	—	—	34
Unrealized gains arising during the period	94	—	—	—	—	94
Change in discount rates	—	—	—	(43)	—	(43)
Change in fair value market risk benefits	—	—	—	—	(15)	(15)
Ending balance at June 30, 2023	**$ (598)**	**$ 5**	**$ (1)**	**$ 210**	**$ 6**	**$ (378)**

	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Change in Discount Rate Used to Measure LFPB	Change in Fair Value of Market Risk Benefits	Accumulated Other Comprehensive Income (Loss)
Beginning balance at May 25, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Amounts reclassified to from AOCI	—	1		—	1
Unrealized losses arising during the period	(263)	—	—	—	(263)
Unrealized losses on investments attributable to participating policyholders' interest	7	—	—	—	7
Change in discount rates	—	—	—	81	81
Change in fair value market risk benefits	—	—	8	—	8
Ending balance at June 30, 2022	**$ (256)**	**$ 1**	**$ 8**	**$ 81**	**$ (166)**

Predecessor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Accumulated Other Comprehensive Income (Loss)
Beginning balance at January 1, 2022	**$ 149**	**$ 1**	**$ (3)**	**$ 147**
Amounts reclassified from AOCI	(7)	5	—	(2)
Unrealized losses arising during the period	(782)	—	—	(782)
Unrealized adjustment to DAC	157	—	—	157
Unrealized losses on investments attributable to participating policyholders' interest	11	—	—	11
Ending balance at May 24, 2022	**$ (472)**	**$ 6**	**$ (3)**	**$ (469)**

Unrealized gains increased during the period ended June 30, 2023 compared to December 31, 2022, as a result of a decrease in the benchmark ten-year interest rates, which were 3.82% and 3.87%, respectively.

Note 14 – Equity and Noncontrolling Interests

Prior to the Merger, ANAT had one class of common stock with a par value of $0.01 per share, with 50,000,000 authorized shares and 26,887,200 outstanding shares (including 10,000 shares of restricted stock). On May 25, 2022, the effective date of the Merger, each issued and outstanding share of the Company's common stock was converted into the right to receive $190.00 in cash without interest pursuant to the Merger Agreement. Refer to Note 1, Nature of Operations, for more information. Subsequent to the closing of the merger, and effective September 30, 2022, ANAT converted from a corporation to a limited liability company. Following such conversion, there is one outstanding member unit, which is owned by BAMR US Holdings LLC ("BAMR US"), an indirect wholly owned subsidiary of Brookfield Reinsurance.

Statutory Capital and Surplus

Risk Based Capital (“RBC”) is a measure defined by the National Association of Insurance Commissioners ("NAIC") and is used by insurance regulators to evaluate the capital adequacy of American National's insurance subsidiaries. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level at least 100% of the company action level RBC are required to take certain actions.

American National's insurance subsidiaries prepare financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of each subsidiary's state of domicile, which include certain components of the National Association of Insurance Commissioners’ Codification of Statutory Accounting Principles (“NAIC Codification”). NAIC Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting practices continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the statutory capital and surplus of our insurance subsidiaries.

Statutory accounting differs from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, and valuing securities on a different basis. In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus.

American National has been granted a permitted practice from the Texas Department of Insurance to recognize an admitted asset related to the notional value of coverage defined in an excess of loss reinsurance agreement. The permitted practice increases the statutory capital and surplus of American National by $563.6 million at June 30, 2023. The statutory capital and surplus of American National would have remained above authorized control level RBC had it not used the permitted practice.

One of American National’s insurance subsidiaries has been granted a permitted practice from the Missouri Department of Insurance to record as the valuation of its investment in a wholly-owned subsidiary that is the attorney-in-fact for a Texas domiciled insurer, the statutory capital and surplus of the Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of American National Property And Casualty Company ("ANPAC") by $72.6 million and $79.3 million at June 30, 2023 and December 31, 2022, respectively. The statutory capital and surplus of both ANPAC and American National Lloyds Insurance Company would have remained above the authorized control level RBC had it not used the permitted practice.

The statutory capital and surplus and net income (loss) of our life and property and casualty insurance entities in accordance with statutory accounting practices are shown below (in millions):

	June 30, 2023	December 31, 2022
Statutory capital and surplus		
Life insurance entities	$ 2,089	$ 4,207
Property and casualty insurance entities	1,706	1,768

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Statutory net income (loss)				
Life insurance entities	$ (124)	$ 38	$ (108)	$ 90
Property and casualty insurance entities	(47)	(37)	(48)	(5)

Note 14 – Equity and Noncontrolling Interests - (Continued)

Dividends

We paid a quarterly dividend of $0.82 per share during the three months ended March 31, 2022, prior to the completion of the Merger effective May 25, 2022.

Under the terms of the Merger Agreement with Brookfield Reinsurance, American National was not permitted to pay cash dividends prior to the closing of the Merger, except for quarterly cash dividends of not more than $0.82 per share, with record and payment dates set forth on an agreed schedule that reflected American National's historical dividend amounts, record dates and payment dates. Consistent with that schedule, American National paid four quarterly cash dividends after the Merger Agreement was signed on August 6, 2021.

On January 1, 2023, ANICO's wholly owned subsidiary ANH Investments, LLC ("ANH") distributed the stock of its wholly owned subsidiary American National Insurance Holdings, Inc. ("ANIH") to ANICO, and ANICO distributed such stock to ANAT. Such transactions were pursuant to approvals from the domiciliary state insurance regulators of ANICO and the subsidiary insurance companies owned by ANIH as of December 31, 2022. In addition, on January 1, 2023, ANICO distributed its entire interest in its wholly owned subsidiary, ANTAC, LLC to ANAT.

Noncontrolling Interest

American National County Mutual Insurance Company ("County Mutual") is a mutual insurance company owned by its policyholders. ANICO has a management agreement that effectively gives it control of County Mutual. As a result, County Mutual is included in the condensed consolidated financial statements of American National. Policyholder interests in the financial position of County Mutual are reflected as noncontrolling interest of $6.8 million at June 30, 2023 and December 31, 2022.

ANAT and its subsidiaries exercise control or ownership of various joint ventures, resulting in their consolidation into American National's condensed consolidated financial statements. The interests of the other partners in the consolidated joint ventures are shown as a noncontrolling interest of $93.2 million and $67.5 million at June 30, 2023 and December 31, 2022, respectively.

Note 15 – Debt

As a result of the Merger on May 25, 2022, the Company assumed the Term Loan Agreement with a consortium of banks providing for five-year term loans in the aggregate principal amount of $1.5 billion maturing May 23, 2027. Interest is tied to Secured Overnight Financing Rate ("SOFR") and reset and paid quarterly. The all in rate at the end of the second quarter was 6.14%. On June 13, 2022, the Company repaid $500 million under the Term Loan Agreement and at June 30, 2023 had $1.0 billion principal amount outstanding. The outstanding debt balance was reduced by $4.4 million in unamortized issuance costs as of June 30, 2023. Quarterly interest payments were $15.7 million and $18.5 million for the three and six months ended June 30, 2023 and seven months ended December 31, 2022.

In June 2022, the Company issued $500 million of 6.144% unsecured Senior Notes maturing June 13, 2032. Interest is payable in arrears in June and December of each year. Such notes were offered under Rule 144A of the Securities Act of 1933, as amended. The proceeds from the Senior Notes were used to repay a portion of the Term Loan Agreement. The outstanding note balance was reduced by $4.3 million in unamortized issuance costs as of June 30, 2023. An interest payment of $15.4 million was made on December 13, 2022.

Note 16 – Commitments and Contingencies

Commitments

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobiles. The remaining long-term lease commitments at June 30, 2023 were approximately $17.1 million.

American National had aggregate commitments at June 30, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.5 billion, of which $0.8 billion is expected to be funded in 2023, with the remainder funded in 2024 and beyond.

In addition, the Company had revolving commitments of $112.5 million expected to be funded during 2023 and 2024.

Note 16 – Commitments and Contingencies - (Continued)

American National had outstanding letters of credit in the amount of $3.5 million as of June 30, 2023 and December 31, 2022.

Federal Home Loan Bank ("FHLB") Agreements

The Company has access to the FHLB’s financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of June 30, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $10.3 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of June 30, 2023, the collateral provided borrowing capacity of approximately $744.9 million. The deposited securities and commercial mortgage loans are included in the Company’s condensed consolidated statements of financial position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on American National’s condensed consolidated financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the lowest amount of the range.

Note 17 – Related Party Transactions

American National has entered into recurring transactions and agreements with certain related parties. Prior to the Merger, these included mortgage loans, management contracts, agency commission contracts, marketing agreements, health insurance contracts, and legal services. The impact on the condensed consolidated financial statements of significant related party transactions is discussed below.

From time to time, American National may participate in investment opportunities from entities classified as related parties to Brookfield Reinsurance, including collateral and mortgage loans. During the six months ended June 30, 2023, these investments totaled $1.37 billion and were accounted for in the same manner as those with unrelated parties in the consolidated financial statements.

On November 8, 2022 ANAT and BAMR US Holdings LLC entered into a deposit agreement. The contribution limit is up to $650.0 million. The interest rate is SOFR plus 75 basis points (5.78% at June 30, 2023). On November 10, 2022 a $600.0 million cash deposit was sent by ANAT to BAMR US Holdings LLC. The balance at June 30, 2023 was $608.5 million. The deposit is considered a cash and cash equivalent in the Company's consolidated statements of financial position as of June 30, 2023.

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances

The balances and changes in the liability for future policy benefits for the six months ended June 30, 2023 are as follows (in millions):

	June 30, 2023				
	Term Life	**Whole Life**	**Annuity**	**Health**	**Pension Risk Transfer**
Present value of Expected Net Premiums:					
Balance, beginning of period	**$ 2,182**	**$ 1,338**	**$ —**	**$ 283**	**$ —**
Beginning balance at original discount rate	2,400	1,425	—	292	—
Effect of changes in cash flow assumptions	—	1	—	23	—
Effect of actual variances from expected experience	(38)	12	1	—	—
Adjusted beginning of period balance	**2,362**	**1,438**	**1**	**315**	**—**
Net issuances (lapses)	32	26	7	(18)	539
Interest accrual	36	21	—	5	4
Net premiums collected	(75)	(100)	(8)	(19)	(543)
Ending balance at original discount rate	**2,355**	**1,385**	**—**	**283**	**—**
Effect of changes in discount rate assumptions	(164)	(67)	—	(8)	—
Balance, end of period	**$ 2,191**	**$ 1,318**	**$ —**	**$ 275**	**$ —**
Present value of Expected Future Policy Benefits:					
Balance, beginning of year	**$ 2,694**	**$ 2,636**	**$ 1,286**	**$ 321**	**$ 2**
Beginning balance at original discount rate	2,961	2,914	1,366	333	2
Effect of changes in cash flow assumptions	—	1	—	23	(1)
Effect of actual variances from expected experience	(39)	12	1	2	—
Adjusted beginning of period balance	**2,922**	**2,927**	**1,367**	**358**	**1**
Net issuances (lapses)	32	26	7	(18)	543
Interest accrual	45	43	20	6	9
Benefit payments	(50)	(97)	(80)	(23)	(4)
Ending balance at original discount rate	**2,949**	**2,899**	**1,314**	**323**	**549**
Effect of changes in discount rate assumptions	(198)	(214)	(61)	(12)	(5)
Balance, end of period	**2,751**	**2,685**	**1,253**	**311**	**544**
Gross liability for future policy benefits	**560**	**1,367**	**1,253**	**36**	**544**
Impact of flooring	—	—	—	1	—
Net liability for future policy benefits	**560**	**1,367**	**1,253**	**37**	**544**
Less: Reinsurance recoverable	(48)	—	—	(10)	—
Net liability for future policy benefits, after reinsurance recoverable	**$ 512**	**$ 1,367**	**$ 1,253**	**$ 27**	**$ 544**
Weighted-average liability duration of the liability	13.0	17.8	7.7	5.8	8.5
Undiscounted expected future benefit payments	$ 5,815	$ 6,237	$ 1,930	$ 422	$ 900
Undiscounted expected gross premiums	$ 6,189	$ 2,818	$ —	$ 509	$ —
Gross premiums recognized in statement of operations	$ 97	$ 133	$ 8	$ 55	$ 552
Interest expense recognized in statement of operations	$ 12	$ 32	$ 29	$ 1	$ 5
Interest accretion rate	4.7%	4.5%	4.5%	4.0%	5.1%
Current discount rate	5.3%	5.1%	5.2%	4.6%	5.2%

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

The reconciliation of liability for future policy benefits to the liability for future policy benefits in the consolidated statement of financial position follows (in millions):

	June 30, 2023
Term life	$ 560
Whole life	1,367
Annuity	1,253
Health	37
Pension Risk Transfer	544
Deferred profit liability	68
VOBA	817
Liability for future policy benefits not subject to LDTI	865
Total	**$ 5,511**

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances for the six months ended June 30, 2023 were as follows (in millions):

	June 30, 2023			
	Universal Life	**Equity Indexed Universal Life**	**Fixed Deferred Annuity**	**Equity Indexed Annuity**
Balance, beginning of period	**$ 1,356**	**$ 614**	**$ 7,296**	**$ 4,684**
Issuances	20	25	2,444	201
Premiums received	126	70	11	6
Policy charges	(139)	(46)	(2)	(13)
Surrenders and withdrawals	(57)	(11)	(877)	(311)
Interest credited	17	34	122	112
Balance, end of period	**$ 1,323**	**$ 686**	**$ 8,994**	**$ 4,679**
Weighted-average crediting rate	2.4 %	10.4 %	3.0 %	0.6 %
Net amount at risk	$ 21,308	$ 15,715	$ —	$ 355
Cash surrender value	$ 1,190	$ 534	$ 8,341	$ 4,193

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the consolidated statement of financial position are shown below (in millions):

	June 30, 2023
Universal life	$ 1,323
Equity indexed universal life	686
Fixed deferred annuity	8,994
Equity indexed annuity	4,679
Single premium immediate annuity	289
Variable universal life	38
Variable deferred annuity	14
Other	2
Total	**$ 16,025**

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums are shown below (in millions):

		June 30, 2023				
	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Total
Universal Life	0.00%-1.00%	$ —	$ —	$ —	$ —	$ —
	1.00%-2.00%	18	2	10	—	30
	2.00%-3.00%	409	—	149	—	558
	Greater than 3.00%	669	—	—	—	669
	Total	**$ 1,096**	**$ 2**	**$ 159**	**$ —**	**$ 1,257**
Equity Indexed Universal Life	0.00%-1.00%	$ —	$ —	$ —	$ —	$ —
	1.00%-2.00%	413	—	126	46	585
	2.00%-3.00%	—	—	68	—	68
	Greater than 3.00%	—	—	—	—	—
	Total	**$ 413**	**$ —**	**$ 194**	**$ 46**	**$ 653**
Fixed Deferred Annuity	0.00%-1.00%	$ —	$ —	$ —	$ —	$ —
	1.00%-2.00%	342	458	1,954	2,153	4,907
	2.00%-3.00%	834	430	30	2,502	3,796
	Greater than 3.00%	273	6	1	1	281
	Total	**$ 1,449**	**$ 894**	**$ 1,985**	**$ 4,656**	**$ 8,984**
Equity Indexed Annuity	0.00%-1.00%	$ 3,352	$ 5	$ 571	$ 94	$ 4,022
	1.00%-2.00%	—	—	—	—	—
	2.00%-3.00%	375	85	100	25	585
	Greater than 3.00%	81	7	4	41	133
	Total	**$ 3,808**	**$ 97**	**$ 675**	**$ 160**	**$ 4,740**

For limited-pay products, gross premiums received in excess of net premiums are deferred at initial recognition as DPL. The assumptions and reflection of experience for DPL will be consistent with those used in the liability for future policy benefits, including the remeasurement methodology. The discount rate used in calculating DPL will be consistent with the locked-in rate used for the liability for future policy benefits.

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

DPL is amortized in income on a constant basis in relation with benefit payments. For life contingent payout annuities DPL is amortized over expected future benefit payments.

For limited payment traditional life permanent contracts, DPL is amortized over face amount.

The balances and changes in the DPL for the six months ended June 30, 2023 were as follows (in millions):

	June 30, 2023		
	2023		
	Whole Life	Annuity	Health
Balance, beginning of period			
Balance, beginning of period, at locked-in discount rate	$ 18	$ 6	$ —
Effect of changes in cash flow assumptions	—	1	—
Adjusted beginning of period balance	**18**	**7**	**—**
Profits deferred	16	10	17
Balance, end of period, at locked-in discount rate	**$ 34**	**$ 17**	**$ 17**

In May 2023, the Company entered into a coinsurance agreement with an external reinsurer to cede 100% of its existing Medicare supplement business.

Note 19 - Market Risk Benefits

American National classifies the Lifetime Income Rider ("LIR") as an MRB. The LIR is a rider offering guaranteed minimum withdrawal benefits available on certain fixed indexed annuity products.

The balances of and changes in guaranteed minimum withdrawal benefits associated with annuity contracts follow (in millions).

	June 30, 2023
	Annuity
Balance, beginning of period	**$ 44**
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	**26**
Effect of model refinements	(9)
Effect of non-financial assumption update	(9)
Attributed fees collected	6
Interest Accrual	2
Adjustment from deterministic to stochastic	9
Effect of experience variance	(7)
Balance, end of period, before effect of changes in nonperformance risk	**62**
Effect of changes in the ending instrument-specific credit risk	(9)
Balance, end of period	**53**
Reinsurance recoverable, end of period	—
Balance, end of period, net of reinsurance	**$ 53**

	June 30, 2023
	Annuity
Weighted-average attained age of contract holders amounted	$ 64

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the market risk benefits amount in the consolidated statement of financial position follows (in millions).

	June 30, 2023		
	Asset	Liability	Net
Annuity	$ 13	$ 66	$ 53

Note 20 - Subsequent Events

The Company evaluated all events and transactions through August 31, 2023, the date the accompanying consolidated financial statements were available to be issued.

In August, the Company received a capital contribution from its sole shareholder, net of dividends paid, of approximately $1.4 billion.

Note 21 - Dispositions

Disposition of Standard Life and Accident Insurance Company

In June 2023, a subsidiary of ANAT finalized an agreement with Core Specialty Insurance Holdings, Inc. to sell its Managing General Underwriter ("MGU") stop-loss business. The business is being acquired for cash through the acquisition of 100% of the stock of Standard Life and Accident Insurance Company (“SLAICO”) and certain reinsurance transactions. The life, annuity and non-MGU stop-loss health business currently in SLAICO will be reinsured back to the Company prior to closing. The completion of the transaction will be conditional upon obtaining the required regulatory approvals and is expected to close in the fourth quarter of 2023.

The carrying amounts of the major classes of assets and liabilities classified as held for sale are shown below (in millions):

	June 30, 2023
Cash and cash equivalents	$ 38
Reinsurance recoverables	174
Premiums due and other receivables	37
Other assets	13
Total assets	**$ 262**
Policy and contract claims	$ 175
Other liabilities	56
Total liabilities	**$ 231**

EXHIBIT 11(i)

Unaudited Quarterly Financial Statement of ANAT for the Quarter-Ended September 30, 2023

AMERICAN NATIONAL GROUP, LLC
(A Wholly-Owned Subsidiary of Brookfield Reinsurance Ltd.,
"Brookfield Reinsurance")

Condensed Consolidated Financial Statements

September 30, 2023

AMERICAN NATIONAL GROUP, LLC

TABLE OF CONTENTS

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(In thousands)

	September 30, 2023	December 31, 2022
ASSETS		
Fixed maturity, bonds available-for-sale, at fair value (Allowance for credit losses of $16,466 in 2023 and $28,708 in 2022) (Amortized cost $13,325,007 in 2023 and $14,447,537 in 2022)	$ 12,352,608	$ 13,512,819
Equity securities, at fair value (Cost $747,160 in 2023 and $456,723 in 2022)	829,213	428,369
Mortgage loans on real estate, net of allowance for credit losses of $31,283 in 2023 and $38,266 in 2022	5,661,116	5,546,175
Policy loans	383,077	374,481
Real estate and real estate partnerships, net of accumulated depreciation of $316,645 in 2023 and $304,402 in 2022	2,836,407	1,035,719
Investment funds	2,214,058	1,226,471
Short-term investments	3,501,024	1,836,678
Other invested assets	432,524	198,079
Total investments	**28,210,027**	**24,158,791**
Cash and cash equivalents	2,264,428	1,388,943
Accrued investment income	303,505	288,841
Reinsurance recoverables	279,244	444,170
Prepaid reinsurance premiums	42,452	46,754
Premiums due and other receivables	500,653	436,264
Deferred policy acquisition costs	911,189	664,478
Market risk benefit	13,616	10,330
Property and equipment, net of accumulated depreciation of $329,664 in 2023 and $314,288 in 2022	161,672	186,008
Deferred tax asset	396,105	439,114
Current tax receivable	17,990	22,326
Other assets	302,033	287,648
Assets held-for-sale	261,404	—
Goodwill	121,097	121,097
Separate account assets	1,090,390	1,045,217
Total assets	**$ 34,875,805**	**$ 29,539,981**
LIABILITIES		
Future policy benefits		
Life	$ 3,355,099	$ 3,336,141
Annuity	1,990,680	1,466,192
Health	58,618	56,938
Policyholders’ account balances	17,070,485	14,309,971
Policy and contract claims	1,702,758	1,786,275
Market risk benefits, at estimated fair value	61,804	54,340
Unearned premium reserve	1,161,410	1,085,882
Other policyholder funds	322,666	322,067
Liability for retirement benefits	58,689	66,938
Long-term debt	1,498,386	1,495,774
Notes payable	170,155	150,913
Other liabilities	648,970	607,880
Liabilities held-for-sale	244,603	—
Separate account liabilities	1,090,390	1,045,217
Total liabilities	**29,434,713**	**25,784,528**
EQUITY		
American National stockholders' equity:		
Member's equity	5,671,552	4,128,892
Accumulated other comprehensive loss	(333,163)	(447,707)
Total American National stockholders' equity	**5,338,389**	**3,681,185**
Noncontrolling interest	102,703	74,268
Total equity	**5,441,092**	**3,755,453**
Total liabilities and equity	**$ 34,875,805**	**$ 29,539,981**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands)

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
PREMIUMS AND OTHER REVENUES					
Premiums					
Life	$ 106,525	$ 113,458	$ 320,304	$ 144,690	$ 174,290
Annuity	153,889	6,076	713,940	9,252	10,221
Health	18,082	32,786	58,733	43,091	53,810
Property and Casualty	504,676	481,015	1,472,405	628,508	741,011
Other policy revenues	106,391	95,797	306,420	126,618	158,515
Net investment income	338,998	262,182	1,062,117	363,193	384,808
Net realized investment gains (loss)	(14,677)	(3,604)	(64,710)	(3,100)	21,073
(Increase) decrease in investment credit loss	20,325	(16,268)	7,278	(49,474)	(14,857)
Net gains (losses) on equity securities	(12,703)	213	30,052	(11,325)	(13,082)
Other income	10,566	10,388	33,751	13,866	18,887
Total premiums and other revenues	**1,232,072**	**982,043**	**3,940,290**	**1,265,319**	**1,534,676**
BENEFITS, LOSSES AND EXPENSES					
Policyholder benefits & claims	713,143	506,277	2,403,702	688,224	831,019
Change in fair value of market risk benefit	(14,035)	—	(21,564)	—	—
Interest credited to policyholders' account balances	155,517	27,038	431,480	31,774	52,825
Future policy benefit remeasurement losses	3,563	—	2,628	—	—
Commissions for acquiring and servicing policies	197,467	183,534	590,791	245,395	264,389
Other operating expenses	186,811	164,114	555,397	229,340	260,193
Change in deferred policy acquisition costs	(71,728)	(92,228)	(213,924)	(97,241)	(40,956)
Total benefits, losses and expenses	**1,170,738**	**788,735**	**3,748,510**	**1,097,492**	**1,367,470**
Income before federal income tax and other items	**61,334**	**193,308**	**191,780**	**167,827**	**167,206**
Less: Provision (benefit) for federal income taxes					
Current	2,063	31,729	16,362	28,611	56,562
Deferred	6,566	9,306	11,842	5,670	(23,585)
Total provision for federal income taxes	**8,629**	**41,035**	**28,204**	**34,281**	**32,977**
Income after federal income tax	**52,705**	**152,273**	**163,576**	**133,546**	**134,229**
Other components of net periodic pension benefit (costs), net of tax	2,158	1,034	2,688	1,379	(1,625)
Net income	**54,863**	**153,307**	**166,264**	**134,925**	**132,604**
Less: Net income attributable to noncontrolling interest, net of tax	1,228	164	3,213	2,110	1,554
Net income attributable to American National	**$ 53,635**	**$ 153,143**	**$ 163,051**	**$ 132,815**	**$ 131,050**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In thousands)

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Net income	**$ 54,863**	**$ 153,307**	**$ 166,264**	**$ 134,925**	**$ 132,604**
Other comprehensive income (loss), net of tax					
Change in net unrealized losses on securities	(132,573)	(494,169)	(8,207)	(749,795)	(620,710)
Change in discount rate for liability for future policyholder benefit	181,930	—	138,738	—	—
Change in instrument specific credit risk for market risk benefit	(5,361)	—	(20,483)	—	—
Foreign currency transaction and translation adjustments	(278)	1,546	155	1,100	312
Defined benefit pension plan adjustment	1,450	(3,501)	4,341	(2,887)	4,800
Total other comprehensive income (loss), net of tax	**45,168**	**(496,124)**	**114,544**	**(751,582)**	**(615,598)**
Total comprehensive income (loss)	**100,031**	**(342,817)**	**280,808**	**(616,657)**	**(482,994)**
Less: Comprehensive income attributable to noncontrolling interest	1,228	164	3,213	2,110	1,554
Total comprehensive income (loss) attributable to American National	**$ 98,803**	**$ (342,981)**	**$ 277,595**	**$ (618,767)**	**$ (484,548)**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(In thousands, except per share data)

Successor	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Member's Equity
Balance at January 1, 2023	**$ 4,128,892**	**$ (447,707)**	**$ 74,268**	**$ 3,755,453**
Other comprehensive income	—	228,747	—	228,747
Net income attributable to American National	8,894	—	—	8,894
Distributions	—	—	(4,177)	(4,177)
Net income attributable to noncontrolling interest	—	—	4,758	4,758
Balance at March 31, 2023	**$ 4,137,786**	**$ (218,960)**	**$ 74,849**	**$ 3,993,675**
Other comprehensive loss	$ —	$ (159,371)	$ —	$ (159,371)
Net income attributable to American National	100,522	—	—	100,522
Contributions	—	—	27,906	27,906
Net loss attributable to noncontrolling interest	—	—	(2,773)	(2,773)
Balance at June 30, 2023	**$ 4,238,308**	**$ (378,331)**	**$ 99,982**	**$ 3,959,959**
Other comprehensive income	$ —	$ 45,168	$ —	$ 45,168
Net income attributable to American National	53,635	—	—	53,635
Capital contribution	2,129,609	—	—	2,129,609
Dividend	(750,000)	—	—	(750,000)
Contributions	—	—	1,493	1,493
Net income attributable to noncontrolling interest	—	—	1,228	1,228
Balance at September 30, 2023	**$ 5,671,552**	**$ (333,163)**	**$ 102,703**	**$ 5,441,092**

Successor	Common Stock	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance at May 25, 2022	**$ —**	**$ 3,613,949**	**$ —**	**$ 9,881**	**$ 3,623,830**
Common stock issued	3	191,120	—	—	191,123
Other comprehensive loss	—	—	(255,458)	—	(255,458)
Net income attributable to American National	—	(20,328)	—	—	(20,328)
Contributions/Distributions	—	—	—	(4,232)	(4,232)
Net income attributable to noncontrolling interest	—	—	—	1,945	1,945
Balance at June 30, 2022	**$ 3**	**$ 3,784,741**	**$ (255,458)**	**$ 7,594**	**$ 3,536,880**
Other comprehensive loss	$ —	$ —	$ (496,124)	$ —	**$ (496,124)**
Net income attributable to American National	—	153,143	—	—	153,143
Contributions/Distributions	—	—	—	(519)	(519)
Net income attributable to noncontrolling interest	—	—	—	164	164
Balance at September 30, 2022	**$ 3**	**$ 3,937,884**	**$ (751,582)**	**$ 7,239**	**$ 3,193,544**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)
(In thousands, except per share data)

Predecessor	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance at January 1, 2022	**$ 269**	**$ 47,762**	**$ 147,054**	**6,799,283**	**$ 7,691**	**$ 7,002,059**
Amortization of restricted stock		20	—	—	—	20
Other comprehensive loss	—	—	(371,865)	—	—	(371,865)
Net income attributable to American National	—	—	—	108,769	—	108,769
Cash dividends to common stockholders (declared per share of $0.82)	—	—	—	(22,048)	—	(22,048)
Contributions/Distributions	—	—	—	—	214	214
Net income attributable to noncontrolling interest	—	—	—	—	1,412	1,412
Balance at March 31, 2022	**$ 269**	**$ 47,782**	**$ (224,811)**	**$ 6,886,004**	**$ 9,317**	**$ 6,718,561**
Amortization of restricted stock	$ —	$ (727)	$ —	$ —	$ —	$ (727)
Other comprehensive loss	—	—	(243,733)	—	—	(243,733)
Net income attributable to American National	—	—	—	22,281	—	22,281
Contributions/Distributions	—	—	—	—	422	422
Net income attributable to noncontrolling interest	—	—	—	—	142	142
Balance at May 24, 2022	**$ 269**	**$ 47,055**	**$ (468,544)**	**$ 6,908,285**	**$ 9,881**	**$ 6,496,946**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Successor	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
OPERATING ACTIVITIES			
Net income	$ 166,264	$ 134,925	$ 132,604
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment (gains) losses	64,342	6,396	(21,073)
Unrealized (gains) loss on investments and derivatives	(72,113)	52,593	207,508
Income tax expense	33,259	28,611	56,562
Increase (decrease) in investment credit loss	(552)	49,474	14,857
Accretion of premiums, discounts and loan origination fees	(129,104)	(16,909)	7,016
Net capitalized interest on policy loans and mortgage loans	2,612	(9,435)	(5,599)
Depreciation	25,525	13,982	15,571
Interest credited to policyholders’ account balances	431,480	31,773	52,826
Charges to policyholders’ account balances	(306,420)	(126,619)	(158,514)
Deferred federal income tax expense (benefit)	(5,055)	5,670	(23,585)
Equity in earnings of unconsolidated affiliates	—	(57,300)	(134,100)
Distributions from unconsolidated affiliates	59,678	—	138,086
Income from equity method investments	(109,935)	—	—
Changes in:			
Policyholder liabilities	908,189	185,449	76,277
Market risk benefit	(21,564)	—	—
Deferred policy acquisition costs	(213,924)	(97,240)	(40,956)
Reinsurance payables	(20,809)	(57,481)	3,754
Premiums due and other receivables	(107,428)	(3,010)	(54,900)
Prepaid reinsurance premiums	4,302	(3,436)	2,078
Accrued investment income	(22,574)	(101,500)	92,369
Liability for retirement benefits	(14,754)	(24,341)	(2,283)
Other, net	6,913	102,844	(456,628)
Operating activities affecting cash:			
Realized gain on investments and derivatives	(1,794)	—	(16,228)
Net cash provided by (used in) operating activities	**676,538**	**114,446**	**(114,358)**
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of:			
Corporate bonds	3,160,360	1,951,462	922,047
Preferred shares	73,707	289	67,410
Commercial paper	—	5,665,905	11,836,896
Government bonds and treasuries	8,156,600	68,046	56,670
Real estate and real estate partnerships	—	—	5,375
Mortgages	370,953	458,988	520,249
Private equity and other	83,896	55,989	77,679
Disposals of property and equipment	151,680	21	—
Distributions from equity method investments	73,603	169,127	110,114
Payment for the purchase/origination of:			
Corporate bonds	(3,560,103)	(953,015)	(2,181,407)
Preferred shares	(166,263)	(37,824)	(26,899)
Government bonds and treasuries	(8,743,519)	(5,814)	(8,946)
Real estate and real estate partnerships	(232,666)	—	(2,825)
Mortgages	(488,924)	(689,963)	(489,290)
Private equity and other	(98,708)	(777,622)	(108,574)
Commercial paper	—	(5,118,620)	(11,352,754)

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)
(In thousands)

	Successor	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Additions to property and equipment	(100,760)	(13,085)	(14,837)
Contributions to real estate and real estate partnerships	(460,328)	(214,417)	—
Contributions to equity method investments	—	—	(125,114)
Change in collateral held for derivatives	55,439	(13,599)	(147,240)
Net change in policy loans	(8,596)	—	(2,408)
Other, net	20,773	679	99
Net cash provided by (used in) investing activities	**(1,712,856)**	**550,315**	**(863,755)**
FINANCING ACTIVITIES			
Issuance of equity	—	45,000	—
Policyholders’ account deposits	4,479,766	904,790	587,664
Policyholders’ account withdrawals	(1,844,314)	(485,451)	(506,159)
Borrowings from external parties	—	500,000	11,991
Repayment of borrowings to external parties	—	(500,000)	(2,747)
Debt issuance costs	—	(5,145)	—
Change in notes payable	—	—	—
Dividends to stockholders	(750,000)	—	(22,048)
Payments to noncontrolling interest	26,351	(4,752)	—
Net cash provided by financing activities	**1,911,803**	**454,442**	**68,701**
Net increase (decrease) in cash and cash equivalents, including subsidiaries held-for-sale	**875,485**	1,119,203	**(909,413)**
Cash and cash equivalents at beginning of the period	1,388,943	1,022,635	1,930,882
Cash and cash equivalents at end of the period	**$ 2,264,428**	**2,141,838**	**$ 1,021,469**
Supplementary cash flow disclosure			
Non-cash capital contribution	$ 2,129,609	$ —	$ —

See accompanying notes to the unaudited condensed consolidated financial statements.

Note 1 – Nature of Operations

American National Group, LLC ("ANAT", or the "Company"), through its consolidated subsidiaries (collectively “American National”) offers a broad portfolio of insurance products, including individual and group life insurance, annuities, pension risk transfer, health insurance, and property and casualty insurance. Business is conducted in all 50 states, the District of Columbia and Puerto Rico.

On August 6, 2021, ANAT entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Brookfield Reinsurance Ltd., formerly known as Brookfield Asset Management Reinsurance Partners Ltd., an exempted company limited by shares existing under the laws of Bermuda, and Freestone Merger Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Brookfield Reinsurance (“Merger Sub”). On May 25, 2022 (the "Closing Date" or "Merger Date"), upon the terms and subject to the conditions of the Merger Agreement, Merger Sub merged with and into the Company (the “Merger”), with the Company continuing as the surviving entity, which became an indirect, wholly-owned subsidiary of Brookfield Reinsurance. The Merger was unanimously approved by the Company’s board of directors. The Company received the requisite stockholder approval required under Delaware law for the adoption of the Merger Agreement. The Company has ceased being a registrant with the Securities and Exchange Commission as of the Closing Date. Effective September 30, 2022, the Company converted from a Delaware corporation to a Delaware limited liability company. As a result, the successor period consists of the three and nine months ended September 30, 2023 and the comparative period from May 25, 2022 to September 30, 2022. The predecessor period consists of January 1, 2022 through May 24, 2022.

Note 2 – Summary of Significant Accounting Policies and Practices

Basis Presentation

The condensed consolidated financial statements and notes thereto have been prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and are reported in U.S. currency. American National consolidates entities that are wholly-owned and those in which American National owns less than 100% but controls the voting rights, as well as variable interest entities in which American National is the primary beneficiary. Intercompany balances and transactions with consolidated entities have been eliminated. Investments in unconsolidated entities, which include real estate partnerships and investment funds, are accounted for using the equity method of accounting. Certain amounts in prior years have been reclassified to conform to current year presentation.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. The interim condensed consolidated financial statements and notes should be read in conjunction with the annual consolidated financial statements and notes thereto as of and for the year ended December 31, 2022, which are posted on the Company website at www.americannational.com. The condensed consolidated results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

The preparation of the consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported consolidated financial statement balances. Actual results could differ from those estimates. Except for balances affected by the adoption of *Accounting Standards Update ("ASU") 2018-12* noted below, the December 31, 2022 consolidated balance sheet data was derived from audited consolidated financial statements which include all disclosures required by GAAP.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree, if applicable, is initially measured at the noncontrolling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

Based on the criteria outlined in ASC 805, *Business Combinations* the Company was deemed the accounting acquiree in the Merger. As a result of the completed Merger, for accounting purposes, our financial statements and notes are presented as "Predecessor" for historical periods prior to the Closing Date and "Successor" for the period after the Closing Date. In accordance with accounting for business combinations, assets and liabilities were adjusted to their fair values as of the Closing Date ("Purchase GAAP Accounting" or "PGAAP"). Additionally, we have elected to apply push-down accounting to reflect the Company's assets and liabilities at fair value. To differentiate between periods, our financial statements and notes columns are titled "Predecessor" and "Successor". This division has been placed to recognize Purchase GAAP Accounting adjustments made and the resulting effect on comparability between the two periods.

Accounting for the business combination is finalized as of December 31, 2022. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation occurred before the end of the measurement period.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded at fair value at the date of acquisition. The following table summarizes the fair value of assets acquired and liabilities assumed as of May 25, 2022 (in thousands):

American National Group, LLC Consolidated Balance Sheet*		Company Opening Balance Sheet
ASSETS		
Fixed maturity securities, bonds available for sale, at estimated fair value	$	15,312,504
Equity securities, at estimated fair value		81,925
Mortgage loans on real estate, net of allowance for credit losses		5,136,421
Policy loans		367,616
Real estate and real estate partnerships, net of accumulated depreciation		968,264
Investment funds		987,577
Short-term investments		1,465,662
Other invested assets		142,027
Total investments		**24,461,996**
Cash and cash equivalents		1,021,469
Accrued investment income		100,544
Reinsurance recoverables		454,867
Prepaid reinsurance premiums		45,711
Premiums due and other receivables		437,462
Property and equipment, net of accumulated depreciation		175,080
Deferred tax assets		374,185
Prepaid pension		149,093
Intangible asset - VOBA		316,644
Other assets		166,029
Goodwill		121,097
Separate account assets		1,123,432
Total assets		**28,947,609**
LIABILITIES		
Future policy benefits		
Life		2,761,227
Annuity		1,431,862
Health		46,352
Policyholders’ account balances		13,880,194
Policy and contract claims		1,705,623
Market risk benefits, at estimated fair value		172,012
Unearned premium reserve		1,072,989
Other policyholder funds		323,567
Liability for retirement benefits		73,926
Intangible liability - VOBA		691,888
Long-term Debt		1,494,627
Notes payable		158,492
Current tax payable		13,610
Other liabilities		375,141
Separate account liabilities		1,123,432
Total liabilities		**25,324,942**
EQUITY		
Additional paid-in capital		3,612,786
Total American National equity		**3,612,786**
Noncontrolling interest		9,881
Total equity		**3,622,667**
Total liabilities and equity	**$**	**28,947,609**

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Adoption of ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts

The Company adopted *ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI")* effective January 1, 2023 with a transition date of May 25, 2022 using a full retrospective approach. LDTI resulted in significant changes to the measurement, presentation and disclosure requirements for long-duration insurance contracts. A summary of the most significant changes follows:

(1) Guaranteed benefits associated with certain annuity contracts have been classified and presented separately on the consolidated balance sheets as Market Risk Benefits ("MRB"). MRBs are now measured at estimated fair value through net income and reported separately on the consolidated statements of operations, except for nonperformance risk changes, which will be recognized in Other Comprehensive Income ("OCI").

(2) Cash flow assumptions used to measure the liability for future policy benefits ("LFPB") on traditional long-duration contracts (including term and non-participating whole life insurance and immediate annuities) have been updated on an annual basis.

(3) The discount rate assumption used to measure the liability for traditional long-duration contracts is now based on an upper-medium grade discount rate with changes recognized in OCI.

(4) DAC for all insurance products is required to be amortized on a constant-level basis over the expected term of the contracts, using amortization methods that are not a function of revenue or profit emergence.

(5) There was a significant increase in required disclosures, including disaggregated rollforwards of insurance contract assets and liabilities supplemented by qualitative and quantitative information regarding the cash flows, assumptions, methods and judgements used to measure those balances.

The following table presents the Company's significant accounting policies which have changed as a result of the adoption of LDTI with cross-references to the notes which provide additional information on such policies.

Accounting Policy	Note
Deferred policy acquisition costs, value of business acquired, unearned revenue and other intangibles	10
Future policy benefit liabilities	18
Policyholder account balances	19
Market risk benefits	21

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses. In accordance with ASC 805, *Business Combinations,* existing DAC balance was written off as a result of the Merger. The beginning balance as of May 25, 2022 consists of the Value of Business Acquired ("VOBA") at that date.

Insurance contracts are grouped into cohorts by contract type and issue year consistent with estimating the associated liability for future policy benefits. DAC is amortized on constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. DAC will be amortized over the following bases, all of which provide a constant level representation of contract term:

Product(s)	Amortization base
Traditional life products	Nominal face amount
Life contingent payout annuities	Annualized benefit amount in force
Health products	Original annual premium
Fixed deferred annuities, fixed indexed annuities, variable annuities	Policy count
Universal life products	Initial face amount

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

The bases used for amortization are projected using mortality and lapse assumptions that are based on American National's experience, industry data, and other factors consistent with those used for the liability for future policy benefits.

Amortization of DAC is included in the change in deferred acquisition costs in the consolidated statement of operations.

For short-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts. DAC for short duration contracts is charged to expense in proportion to premium revenue recognized.

Value of business acquired ("VOBA") is an intangible asset or liability resulting from a business combination that represents the difference between the policyholder liabilities measured in accordance with the acquiring company's accounting policies and the estimated fair value of the same acquired policyholder liabilities in-force at the acquisition date. VOBA can be either positive or negative. Positive VOBA is recorded as a component of DAC. Negative VOBA occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities, and is recorded in future policyholder benefits in the consolidated statement of financial condition.

VOBA is amortized on a straight-line basis over the remaining life of the underlying policies consistent with DAC.

Liability for future policy benefits ("LFPB") is equal to the present value of expected benefit payments and claim related expenses to be paid or on behalf of policyholders less the present value of expected net premiums to be collected from policyholders. Principal assumptions used in the establishment of the LFPB are mortality, lapse, incidence, terminations, claim-related expenses, and other contingent events as appropriate to the respective product type. American National groups contracts into annual cohorts based on product type and contract inception date for the purposes of calculating the liability for future policy benefits. A set of qualitative cohorts includes all business issued prior to the acquisition date. Another set of qualitative cohorts includes business issued between the acquisition date and year end 2022. In 2023 and beyond, there is a set of qualitative cohorts for each issue year.

American National updates its estimate of cash flows over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. American National will review cash flow assumptions, including assumptions for claim-related expenses annually in the fourth quarter. Assumption revisions will be reflected in the net premium ratio and LFPB calculation in the quarter in which assumptions are revised. The net premium ratio reflects cash flows from contract inception to contract termination (i.e.: through the claim paying period) and cannot exceed 100%. Change in the liability due to actual experience is recognized in reserve remeasurement (gains) losses in the consolidated statement of earnings.

American National measures the LFPB at each reporting period. The discount rate assumption is determined by developing a yield curve based on market observable yields for upper-medium fixed income instruments derived from an external index. The net premium ratio is not updated for changes in discount rate assumptions. The difference between the updated carrying amount of the liability for future policy benefits measured using the current discount rate assumption and the original discount rate assumption is recognized in other comprehensive income during the period.

Should the present value of actual and future expected benefits less transition LFPB balance exceed the present value of actual and future expected gross premiums, the net premium ratio is capped at 100% and a gross premium LFPB is held. The immediate charge is the amount by which the uncapped net premium ratio exceeds 100% times the present value of future expected gross premium. This assessment is performed at the cohort level.

American National periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the consolidated statements of operations in the period in which the changes occur.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Payout annuities include single premium immediate annuities, annuitizations of deferred annuities, and pension risk transfer. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as investment contracts. For life contingent annuities, the Company records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and expense assumptions. Any gross premiums received in excess of the net premium is the deferred profit liability ("DPL") and is recognized separately in income in a constant relationship with the discounted amount of the insurance in-force or expected future benefit payments. These liabilities are recorded in policy liabilities in the consolidated statement of financial position.

For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses). Dividends to participating policyholders were $4.3 million and $4.2 million at September 30, 2023 and 2022, respectively. Income of $0.4 million and $8.0 million was allocated to participating policyholders at September 30, 2023 and 2022, respectively.

For all other participating business, the allocation of dividends to participating policyowners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

Market risk benefits ("MRB") are measured at fair value at the cohort level. Total attributed fees will include explicit rider fees and will not be negative or exceed total contract fees and assessments collectible from the contract holder. There are only rider charges and surrender charges. Surrender charges will not be included in the fair value measurement, as surrender charges do not fund any future benefits. Cash flows are projected using risk-neutral scenarios generated by the company. The Company establishes MRB assets and liabilities for guaranteed minimum withdraw benefits ("GMWB") associated with equity-indexed annuity contracts.

The actuarial assumptions used in the MRB calculation are the company's best estimate assumptions. Assumptions are adjusted to reflect fair value by applying a margin for non-hedgeable risk and an adjustment for own credit spread through the discount rate. The risk-free discount rate is the scenario specific US treasury rate. The assumptions used for MRB are consistent with other fair value calculations performed by American National.

Transition Date Impacts

Due to the acquisition of American National by Brookfield Reinsurance on May 25, 2022 and the guidelines under ASC 805, Business Combinations, the inception date for all contracts issued before that date became May 25, 2022. Under purchase accounting guidelines, fair value of equity must be equal to the purchase price at the acquisition date. As a result, there will not be any impact to the opening balances of retained earnings or accumulated other comprehensive income due to the adoption of the standard on the transition date of May 25, 2022.

The transition impact of the MRBs and LFPB will be recorded to VOBA liability resulting in no impact to shareholders equity, as noted above.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

The following table presents a summary of the Transition Date impacts associated with the implementation of LDTI to the consolidated balance sheet (in thousands):

	Future Policy Benefits	Market Risk Benefits	VOBA Liability
As previously reported May 25th, 2022	$ 4,662,434	$ —	$ 440,907
Reclassification of carrying amount of contracts and contract features that are market risk benefits	(107,432)	107,432	—
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(315,561)	64,580	250,981
As adjusted May 25th, 2022	**$ 4,239,441**	**$ 172,012**	**$ 691,888**

The following table represents transition impacts for future policy benefits by segment.

	Term Life	Whole Life	Annuity
As previously reported May 25th, 2022	$ 615,782	$ 1,694,351	$ 1,439,449
Reclassification of carrying amount of contracts and contract features that are market risk benefits	—	—	—
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(84,761)	(223,213)	(7,586)
As adjusted May 25th, 2022	**$ 531,021**	**$ 1,471,138**	**$ 1,431,863**

The following table represents the transition impact to market risk benefits by segment.

	Annuity
As previously reported May 25th, 2022	$ 107,432
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	64,580
As adjusted May 25th, 2022	**$ 172,012**

The Transition Date impacts associated with the implementation of LDTI were applied as follows:

Market risk benefits - The full retrospective transition approach for MRBs required assessing products to determine whether contract or contract features expose the Company to other than nominal capital market risk. The population of MRBs identified was then reviewed to determine the historical measurement model prior to adoption of LDTI.

At the Transition Date, the impacts to the financial statements of the full retrospective approach for MRBs include the following:

- The amounts previously recorded for these contracts within additional insurance liabilities and other insurance liabilities were reclassified to MRB liabilities;
- The difference between the fair value of the MRBs and the previously recorded carrying value at the Transition Date, including the cumulative effect of changes in nonperformance risk of the Company, was recorded as an adjustment to the opening balance of VOBA liability.

Liability for future policy benefits - The full retrospective transition approach for LFPB utilized a defined valuation premium method. This process required grouping contracts in-force as of the Transition Date into cohorts, and then calculating revised LFPB using an updated net premium ratio, best estimate cash flow assumptions without a provision for adverse deviation and the locked-in discount rate. The decrease to the liability for future policy benefits at transition is driven by unlocking of assumptions and measurement at upper medium grade discount rates for traditional life and life contingent payout annuity business.

Due to the acquisition of American National by Brookfield Reinsurance on May 25, 2022 , the balances of deferred acquisition costs, deferred profit liability, unearned revenue, and sales inducement assets were written down to $0 at the acquisition date. As a result, there is no impact to these balances at transition.

Note 3 – Recently Issued Accounting Pronouncements

The following table presents amounts previously reported in 2022, the effect on those amounts of the change due to the adoption of ASU 2018-12 as described in Note 2, and the currently reported amounts in the Unaudited Interim Consolidated Statement of Financial Position (in thousands).

	December 31, 2022		
	As Previously Reported	Effect of Adoption	As Adjusted
Reinsurance recoverables, net of allowance for credit losses	$ 447,124	$ (2,954)	$ 444,170
Deferred policy acquisition costs	681,708	(17,230)	664,478
Deferred tax asset	527,768	(88,654)	439,114
Market risk benefit asset	—	—	—
Other assets	291,875	10,330	302,205
Total assets	**$ 29,642,716**	**$ 98,508**	**$ 29,741,224**
Future policy benefits			
Life	$ 3,584,520	$ (248,379)	$ 3,336,141
Annuity	1,713,528	(247,336)	1,466,192
Health	47,045	9,893	56,938
Market risk benefit liabilities	—	54,340	54,340
Total liabilities	**26,220,236**	**(431,482)**	**25,788,754**
Retained earnings	264,752	59,068	323,820
Accumulated other comprehensive income (loss)	(721,612)	273,905	(447,707)
Total liabilities and equity	**$ 29,642,716**	**$ (98,509)**	**$ 29,544,207**

Other Adopted Accounting Pronouncements

The Company adopted ASU (*ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings ("TDR") and Vintage Disclosures*. The Company adopted this standard on January 1, 2023. This ASU eliminates TDR recognition and measurement guidance and, instead, requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU was applied prospectively and did not have a material impact on the consolidated financial statements upon adoption but could change the future recognition and measurement of modified loans.

Note 3 - Recently Issued Accounting Pronouncements - (Continued)
Future Adoption of Accounting Standards

ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company’s interim condensed consolidated financial statements or disclosures.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.	The amendments in this guidance are effective for all entities as of March 12, 2020 and will sunset through December 31, 2022, at which time the application of exceptions and optional expedients will no longer be permitted. The FASB issued ASU 2022-06 that delayed the sunset date to December 31, 2024.	The inventory of LIBOR exposures has been completed and is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR is not expected to have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements.
ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method	The amendments in this Update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this Update also require specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method.	The amendments in this update are effective for the Company for annual and interim reporting periods beginning January 1, 2024.	The impact of this amendment to the Company's Consolidated Financial Statements and Notes to the Consolidated Financial Statements is currently under evaluation.

Note 4 – Investment in Securities

The cost or amortized cost and fair value of investments in securities are shown below (in thousands):

	September 30, 2023				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	$ 67,080	$ —	$ (2,836)	$ —	$ 64,244
U.S. states and political subdivisions	775,752	—	(50,024)	(202)	725,526
Foreign governments	9,381	—	(653)	—	8,728
Corporate debt securities	10,721,546	43,896	(911,200)	(10,591)	9,843,651
Collateralized debt securities	1,626,990	15,557	(45,257)	(5,125)	1,592,165
Residential mortgage-backed securities	124,258	11	(5,427)	(548)	118,294
Total bonds available-for-sale	**13,325,007**	**59,464**	**(1,015,397)**	**(16,466)**	**12,352,608**
Total investments in fixed maturity	**$ 13,325,007**	**$ 59,464**	**$ (1,015,397)**	**$ (16,466)**	**$ 12,352,608**

	December 31, 2022				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	$ 41,384	$ 30	$ (1,405)	$ —	$ 40,009
U.S. states and political subdivisions	880,186	123	(24,706)	(742)	854,861
Foreign governments	9,314	—	(298)	(12)	9,004
Corporate debt securities	12,104,754	6,020	(830,095)	(23,049)	11,257,630
Collateralized debt securities	1,279,102	5,300	(55,261)	(4,574)	1,224,567
Residential mortgage-backed securities	132,797	23	(5,741)	(331)	126,748
Total bonds available-for-sale	**14,447,537**	**11,496**	**(917,506)**	**(28,708)**	**13,512,819**
Total investments in fixed maturity	**$ 14,447,537**	**$ 11,496**	**$ (917,506)**	**$ (28,708)**	**$ 12,512,819**

Note 4 – Investment in Securities – (Continued)

The amortized cost and fair value, by contractual maturity, of fixed maturity securities are shown below (in thousands):

	September 30, 2023	
	Bonds Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 431,217	$ 426,508
Due after one year through five years	4,932,115	4,746,804
Due after five years through ten years	3,880,361	3,571,707
Due after ten years	4,081,314	3,607,589
Total	**$ 13,325,007**	**$ 12,352,608**

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of bonds available-for-sale, with the related gross realized gains and losses, are shown below (in thousands):

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Proceeds from sales of fixed maturity, bonds available-for-sale	$ 253,219	$ 1,347,811	$ 1,940,603	$ 1,350,312	$ 29,247
Gross realized gains	1,741	2,502	3,140	2,502	—
Gross realized losses	4,180	12,300	53,649	12,300	—

Gains and losses are determined using specific identfication of the securities sold. All held-to-maturity securities were transferred to available-for-sale through a management election allowed under business combination guidance.

In accordance with various regulations, American National has bonds on deposit with regulating authorities with a carrying value of $28.1 million and $51.1 million at September 30, 2023 and December 31, 2022, respectively. In addition, American National has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $38.9 million and $44.8 million at September 30, 2023 and December 31, 2022, respectively.

The components of the change in net unrealized gains (losses) on debt securities are shown below, on a pre-tax basis (in thousands):

	YTD		
	Successor	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30,	Period from January 1, 2022 through May 24, 2022
Bonds available-for-sale: change in unrealized losses	$ (51,642)	$ (969,318)	$ (997,300)
Short-term change in unrealized gains (losses)	33,883	(391)	—
Adjustments for			
Deferred policy acquisition costs	—	—	199,027
Participating policyholders' interest	7,373	16,240	13,478
Deferred federal income tax benefit	2,179	203,283	164,085
Change in net unrealized losses on debt securities, net of tax	**$ (8,207)**	**$ (750,186)**	**$ (620,710)**

Note 4 – Investment in Securities – (Continued)

The components of the change in net gains (losses) on equity securities are shown below (in thousands):

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Unrealized gains (losses) on equity securities	$ (12,374)	$ 194	$ 29,686	$ (11,344)	$ (7,288)
Net gains (losses) on equity securities sold	(329)	19	366	19	(5,794)
Net gains (losses) on equity securities	**$ (12,703)**	**$ 213**	**$ 30,052**	**$ (11,325)**	**$ (13,082)**

The gross unrealized losses and fair value of bonds available-for-sale, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below (in thousands, except number of issues):

	September 30, 2023								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	12	$ (1,374)	$ 29,949	15	$ (1,462)	$ 33,671	27	$ (2,836)	$ 63,620
U.S. states and political subdivisions	340	(21,122)	408,420	196	(28,902)	317,498	536	(50,024)	725,918
Foreign governments	—	—	—	1	(653)	8,728	1	(653)	8,728
Corporate debt securities	969	(302,758)	3,638,207	951	(608,442)	6,085,659	1,920	(911,200)	9,723,866
Collateralized debt securities	42	(26,448)	805,663	48	(18,809)	349,666	90	(45,257)	1,155,329
Residential mortgage-backed securities	1	(406)	42,025	13	(5,021)	76,270	14	(5,427)	118,295
Total	**1,364**	**$ (352,108)**	**$4,924,264**	**1,224**	**$ (663,289)**	**$6,871,492**	**2,588**	**$(1,015,397)**	**$11,795,756**

	December 31, 2022								
	Less than 12 months			12 months or more			Total		
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	18	$ (1,405)	$ 36,692	—	$ —	$ —	18	$ (1,405)	$ 36,692
U.S. states and political subdivisions	580	(24,706)	833,315	—	—	—	580	(24,706)	833,315
Foreign governments	1	(298)	9,005	—	—	—	1	(298)	9,005
Corporate debt securities	1,212	(830,095)	9,951,734	—	—	—	1,212	(830,095)	9,951,734
Collateralized debt securities	71	(55,261)	776,938	—	—	—	71	(55,261)	776,938
Residential mortgage-backed securities	46	(5,741)	93,008	—	—	—	46	(5,741)	93,008
Total	**1,928**	**$ (917,506)**	**$11,700,692**	**—**	**$ —**	**$ —**	**1,928**	**$ (917,506)**	**$11,700,692**

Note 4 – Investment in Securities – (Continued)

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices. Based on this evaluation, unrealized losses on bonds available-for-sale where an allowance for credit loss was not recorded were concentrated in the Company's fixed maturity securities within the transportation sector.

Equity securities by market sector distribution are shown below, based on fair value:

	September 30, 2023		December 31, 2022	
Energy and utilities	$ 13,828	1.7 %	$ 30,722	7.2 %
Finance	795,586	95.9	374,688	87.4
Other	19,799	2.4	22,959	5.4
Total	**$ 829,213**	**100 %**	**$ 428,369**	**100 %**

Allowance for Credit Losses

Available-for-Sale Securities—For available-for-sale bonds in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized cost basis is written down to fair value through income. For bonds available-for-sale that do not meet either indicated criteria, the Company evaluates whether the decline in fair value has resulted from credit events or market factors. In making this assessment, management first calculates the extent to which fair value is less than amortized cost, and then may consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income, limited to the amount fair value is less than amortized cost. Any remaining unrealized loss is recognized in other comprehensive income.

When the discounted cash flow method is used to determine the allowance for credit losses, management's estimates incorporate expected prepayments, if any. Model inputs are considered reasonable and supportable for three years. A mean reversion is applied in years four and five. Credit loss allowance is not measured on accrued interest receivable because the balance is written off to net investment income in a timely manner, within 90 days. Changes in the allowance for credit losses are recognized through the condensed consolidated statement of operations as "(Increase) decrease in investment credit loss."

No accrued interest receivables were written off as of September 30, 2023.

Note 4 – Investment in Securities – (Continued)

The rollforward of the allowance for credit losses for available-for-sale debt securities is shown below (in thousands):

Successor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at January 1, 2023	**$ (742)**	**$ (23,049)**	**$ (4,574)**	**$ (331)**	**$ (28,696)**
Increase in allowance related to purchases	—	(16)	—	—	(16)
Reduction in allowance related to dispositions	—	996	—	—	996
Allowance on securities that had an allowance recorded in a previous period	530	11,219	355	213	12,317
Allowance on securities where credit losses were not previously recorded	(2)	(660)	(5,498)	—	(6,160)
Balance at March 31, 2023	**$ (214)**	**$ (11,510)**	**$ (9,717)**	**$ (118)**	**$ (21,559)**
Increase in allowance related to purchases	$ —	$ (1,710)	$ (315)	$ —	$ (2,025)
Reduction in allowance related to dispositions	9	1,165	14	—	1,188
Allowance on securities that had an allowance recorded in a previous period	27	5,573	2,367	(61)	7,906
Allowance on securities where credit losses were not previously recorded	(1)	(15,744)	(1,701)	(295)	(17,741)
Balance at June 30, 2023	**$ (179)**	**$ (22,226)**	**$ (9,352)**	**$ (474)**	**$ (32,231)**
Increase in allowance related to purchases	$ (20)	$ (1,240)	$ (472)	$ (1)	$ (1,733)
Reduction in allowance related to dispositions	21	1,855	456	1	2,333
Allowance on securities that had an allowance recorded in a previous period	18	16,154	4,253	(66)	20,359
Allowance on securities where credit losses were not previously recorded	(42)	(5,134)	(10)	(8)	(5,194)
Balance at September 30, 2023	**$ (202)**	**$ (10,591)**	**$ (5,125)**	**$ (548)**	**$ (16,466)**

Successor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at May 25, 2022	**$ (137)**	**$ (28,244)**	**$ (4,131)**	**$ (310)**	**$ (32,822)**
Reduction in allowance related to disposition	114	28,244	4,131	296	32,785
Allowance on securities that had an allowance recorded in a previous period	23	—	—	14	37
Balance at June 30, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Increase in allowance related to purchases	$ —	$ (524)	$ (364)	$ (13)	$ (901)
Allowance on securities where credit losses were not previously recorded	(200)	(8,059)	(2,692)	(121)	(11,072)
Balance at September 30, 2022	**$ (200)**	**$ (8,583)**	**$ (3,056)**	**$ (134)**	**$ (11,973)**

Note 4 – Investment in Securities – (Continued)

Predecessor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at January 1, 2022	**$ (14)**	**$ (7,141)**	**$ (2,887)**	**$ (268)**	**$ (10,310)**
Increase in allowance related to purchases	—	(10,286)	(59)	—	(10,345)
Reduction in allowance related to dispositions	—	180	—	—	180
Allowance on securities that had an allowance recorded in a previous period	—	949	(1,384)	(16)	(451)
Allowance on securities where credit losses were not previously recorded	(32)	(7,443)	(19)	—	(7,494)
Balance at March 31, 2022	**$ (46)**	**$ (23,741)**	**$ (4,349)**	**$ (284)**	**$ (28,420)**
Reduction in allowance related to disposition	$ —	$ 279	$ —	$ —	$ 279
Allowance on securities that had an allowance recorded in a previous period	(67)	3,780	250	(26)	3,937
Allowance on securities where credit losses were not previously recorded	(24)	(8,562)	(32)	—	(8,618)
Balance at May 24, 2022	**$ (137)**	**$ (28,244)**	**$ (4,131)**	**$ (310)**	**$ (32,822)**

Credit Quality Indicators

The Company monitors the credit quality of bonds available-for-sale through the use of credit ratings provided by third party rating agencies, which are updated on a monthly basis. Information is also gathered regarding the asset performance of available-for-sale bonds. The two traditional metrics for assessing interest rate risks are interest-coverage ratios and capitalization ratios, which can also be used in the assessment of credit risk. These risks are mitigated through the diversification of bond investments. Categories of diversification include credit ratings, geographic locations, maturities, and market sector.

Note 5 – Mortgage Loans

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. American National attempts to maintain a diversified portfolio by considering both the location of the underlying collateral as well as the type of mortgage loan. The geographic categories come from the U.S. Census Bureau's "Census Regions and Divisions of the United States."

The distribution based on carrying amount of mortgage loans by location is as follows (in thousands, except percentages):

	September 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 840,218	14.8 %	$ 898,915	16.2 %
East South Central	46,539	0.8	65,548	1.2
Mountain	1,401,974	24.8	1,360,837	24.5
Pacific	918,450	16.2	924,187	16.7
South Atlantic	999,265	17.7	967,353	17.4
West South Central	1,118,154	19.8	1,068,239	19.3
Other	336,516	5.9	261,096	4.7
Total	**$ 5,661,116**	**100.0 %**	**$ 5,546,175**	**100.0 %**

As of September 30, 2023 and December 31, 2022, loans in foreclosure and loans foreclosed are as follows (in thousands, except number of loans):

	September 30, 2023		December 31, 2022	
Foreclosure and foreclosed	**Number of Loans**	**Recorded Investment**	**Number of Loans**	**Recorded Investment**
In foreclosure	1	$ 24,941	1	$ 27,001
Filed for bankruptcy	—	—	—	—
Total in foreclosure	**1**	**$ 24,941**	**1**	**$ 27,001**
Foreclosed	**2**	**$ 54,488**	**—**	**$ —**

Note 5 – Mortgage Loans – (Continued)

The age analysis of past due loans is shown below (in thousands, except percentages):

September 30, 2023	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 983,562	$ 983,562	17.3 %
Hotel	31,915	—	—	31,915	986,805	1,018,720	17.9
Industrial	—	—	—	—	1,081,943	1,081,943	19.0
Office	—	14,570	39,878	54,448	859,098	913,546	16.0
Parking	—	—	—	—	415,179	415,179	7.3
Retail	—	—	24,962	24,962	789,913	814,875	14.3
Storage	—	—	—	—	118,683	118,683	2.1
Other	—	—	—	—	345,891	345,891	6.1
Total	**$ 31,915**	**$ 14,570**	**$ 64,840**	**$ 111,325**	**$ 5,581,074**	**$ 5,692,399**	**100.0 %**
Allowance for credit losses						(31,283)	
Total, net of allowance						**$ 5,661,116**	

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 805,690	$ 805,690	14.4 %
Hotel	—	—	—	—	1,009,560	1,009,560	18.1
Industrial	—	—	—	—	1,043,305	1,043,305	18.7
Office	—	—	27,001	27,001	1,104,981	1,131,982	20.3
Parking	—	—	—	—	419,878	419,878	7.5
Retail	—	—	—	—	842,483	842,483	15.1
Storage	—	—	—	—	118,875	118,875	2.1
Other	—	—	—	—	212,668	212,668	3.8
Total	**$ —**	**$ —**	**$ 27,001**	**$ 27,001**	**$ 5,557,440**	**$ 5,584,441**	**100.0 %**
Allowance for credit losses						(38,266)	
Total, net of allowance						**$ 5,546,175**	

Modifications to Borrowers Experiencing Financial Difficulty

The Company may modify the terms of a loan when the borrower is experiencing financial difficulties, as a means to optimize recovery of amounts due on the loan. Modifications may involve temporary relief, such as payment forbearance for a short period of time (where interest continues to accrue) or may involve more substantive changes to a loan. Changes to the terms of a loan, pursuant to a modification agreement, are factored into the analysis of the loan's expected credit losses, under the allowance model applicable to the loan.

For commercial mortgage loans, modifications for borrowers experiencing financial difficulty are tailored for individual loans and may include interest rate relief, maturity extensions or, less frequently, principal forgiveness. For residential mortgage loans, the most common modifications for borrowers experiencing financial difficulty, aside from insignificant delays in payment, typically involve interest rate relief, deferral of missed payments to the end of the loan term, or maturity extensions.

For the nine months ended September 30, 2023, the Company granted additional extensions on eleven previously restructured loans totaling $170.3 million in amortized cost. The loan term modifications ranged from three months to 24 months and represented approximately 2.9% of the portfolio segment.

Note 5 – Mortgage Loans – (Continued)

Allowance for Credit Losses

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses and allowances. The allowance for credit losses is based upon the current expected credit loss model. The model considers past loss experience, current economic conditions, and reasonable and supportable forecasts of future conditions. Reversion for the allowance calculation is implicit in the models used to determine the allowance. The methodology uses a discounted cash flow approach based on expected cash flows.

The Predecessor balance of $92.8 million at May 24, 2022 was closed out and the Successor recovered the entire allowance balance after the Merger as required by PGAAP guidance. The provision of $35.0 million is the net amount of recovery and adjustment for the second quarter of 2022. Refer to Note 1, Nature of Operations, for more information.

The rollforward of the allowance for credit losses for mortgage loans is shown below (in thousands):

Successor	**Commercial Mortgage Loans**
Balance at January 1, 2023	$ (38,266)
Charge offs	(15,051)
Provision	4,379
Balance at March 31, 2023	**$ (48,938)**
Charge offs	—
Provision	6,766
Balance at June 30, 2023	**$ (42,172)**
Charge offs	—
Provision	10,889
Balance at September 30, 2023	**$ (31,283)**

Successor	**Commercial Mortgage Loans**
Balance at May 25, 2022	$ —
Provision	(34,972)
Balance at June 30, 2022	**$ (34,972)**
Provision	(1,149)
Balance at September 30, 2022	**$ (36,121)**

Predecessor	**Commercial Mortgage Loans**
Balance at January 1, 2022	$ (97,079)
Provision	4,255
Balance at March 31, 2022	**$ (92,824)**
Provision	—
Balance at May 24, 2022	**$ (92,824)**

The decrease in allowance from prior year is largely driven by lower rates on improving hotel properties returning to pre-pandemic service levels.

Note 5 – Mortgage Loans – (Continued)

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below (in thousands):

	September 30, 2023		December 31, 2022	
	Asset Balance	Allowance	Asset Balance	Allowance
Apartment	$ 983,562	$ (2,913)	$ 805,690	$ (1,111)
Hotel	1,018,720	(2,273)	1,009,560	(5,400)
Industrial	1,081,943	(1,100)	1,043,305	(4,118)
Office	913,546	(12,163)	1,131,982	(17,420)
Parking	415,179	(1,044)	419,878	(5,566)
Retail	814,875	(4,163)	842,483	(3,740)
Storage	118,683	(258)	118,875	(469)
Other	345,891	(7,369)	212,668	(442)
Total	**$ 5,692,399**	**$ (31,283)**	**$ 5,584,441**	**$ (38,266)**

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by property-type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below (in thousands):

	Amortized Cost Basis by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
Apartment	$ 2,050	$ 404,218	$ 253,170	$ 83,684	$ 139,808	$ 100,632	$ 983,562
Hotel	118,306	220,280	32,077	38,986	129,354	479,717	1,018,720
Industrial	—	313,069	179,398	215,923	129,296	244,257	1,081,943
Office	7,147	89,772	5,593	24,003	46,016	741,015	913,546
Parking	—	54,702	28,875	26,854	12,756	291,992	415,179
Retail	—	233,046	117,337	64,637	34,606	365,249	814,875
Storage	—	8,155	20,344	36,181	38,109	15,894	118,683
Other	59,324	142,289	44,646	—	28,302	71,330	345,891
Total	**$ 186,827**	**$ 1,465,531**	**$ 681,440**	**$ 490,268**	**$ 558,247**	**$ 2,310,086**	**$ 5,692,399**
Allowance for credit losses							(31,283)
Total, net of allowance							**$ 5,661,116**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At September 30, 2023, two commercial loans were past due over 90 days or in non-accrual status.

Off-Balance Sheet Credit Exposures

The Company has off-balance sheet credit exposures related to non-cancellable unfunded commitment amounts on commercial mortgage loans. We estimate the allowance for these exposures by applying the allowance rate we computed for each property type to the related outstanding commitment amounts. As of September 30, 2023, we have included a $1.9 million liability in other liabilities on the condensed consolidated statements of financial position based on unfunded loan commitments of $518 million.

Note 6 - Real Estate and Other Investments

The carrying amount of investment real estate, net of accumulated depreciation, and real estate partnerships by property-type and geographic distribution are as follows (in thousands, except percentages):

	September 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Hotel	$ 81,330	2.9 %	$ 77,458	7.5 %
Industrial	157,348	5.5	167,522	16.2
Land	48,819	1.7	48,199	4.7
Office	412,680	14.5	243,431	23.5
Retail	212,027	7.5	211,923	20.5
Apartments	320,208	11.3	253,678	24.5
Other	1,603,995	56.6	33,508	3.1
Total	**$ 2,836,407**	**100.0 %**	**$ 1,035,719**	**100.0 %**

	September 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 105,754	8.8 %	$ 97,938	9.5 %
East South Central	22,010	1.8	27,650	2.7
Mountain	233,081	19.7	239,672	23.1
Pacific	172,717	14.6	160,289	15.5
South Atlantic	197,017	15.9	88,280	8.5
West South Central	430,553	36.9	371,049	35.8
Other	1,675,275	2.3	50,841	4.9
Total	**$ 2,836,407**	**100.0 %**	**$ 1,035,719**	**100.0 %**

As of September 30, 2023, no real estate investments met the criteria as held-for-sale.

Consolidated VIEs

American National regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities (“VIEs”). In certain instances, in addition to an economic interest in the entity, American National holds the power to direct significant activities of the entity and is deemed the primary beneficiary. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of American National, as American National’s obligation is limited to the amount of its committed investment. American National has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs in 2023 or 2022.

Note 6 – Real Estate and Other Investments – (Continued)

The assets and liabilities relating to the VIEs included in the condensed consolidated financial statements are as follows (in thousands):

	September 30, 2023	December 31, 2022
Fixed maturity securities, bonds available-for-sale, at estimated fair value	$ 378,080	$ 282,535
Mortgage loans on real estate, net of allowance for credit losses	26,929	—
Real estate and real estate partnerships, net of accumulated depreciation	278,822	123,630
Equity securities, at fair value	2,110,998	44,858
Investment funds	1,269,987	799,886
Short-term investments	4,101	500
Total investments	**4,068,917**	**1,251,409**
Cash and cash equivalents	124,258	12,953
Premiums due and other receivables	1,715	2,221
Other assets	33,489	74,393
Total assets of consolidated VIEs	**$ 4,228,379**	**$ 1,340,976**
Notes payable	170,155	150,913
Other liabilities	52,651	1,141,026
Total liabilities of consolidated VIEs	**$ 222,806**	**$ 1,291,939**

The notes payable in the condensed consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $3.0 million and $10.5 million at September 30, 2023 and December 31, 2022, respectively.

The total long-term notes payable of the consolidated VIEs consists of the following (in thousands):

Interest rate	Maturity	September 30, 2023	December 31, 2022
LIBOR or Equivalent	2023	$ —	$ 10,702
4.18% fixed	2024	60,947	61,905
1M TermSOFR + applicable margin	2025	6,182	—
3.25%	2026	8,896	6,420
7.25%	2026	10,561	—
1M SOFR + 2.5%, Rate Floor 3.5%	2029	78,790	71,886
Total notes payable of ANTAC consolidated VIEs		**165,376**	**150,913**
Other notes payable		4,779	—
Total notes payable of consolidated VIEs		**$ 170,155**	**$ 150,913**

Unconsolidated VIEs

	September 30, 2023		December 31, 2022	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate and real estate partnerships	$ 315,395	$ 315,395	$ 316,692	$ 316,692
Mortgage loans on real estate	646,368	646,368	601,198	601,198
Accrued investment income	2,157	2,157	1,863	1,863

American National's equity in earnings of real estate partnerships is the Company's share of operating earnings and realized gains from investments in real estate joint ventures and other limited partnership interests ("joint ventures") using the equity method of accounting.

The Company's total investment in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships, was comprised of $2.2 billion and $1.7 billion at September 30, 2023 and December 31, 2022, respectively.

Note 7 – Derivative Instruments

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments for accounting purposes under GAAP. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. The detail of derivative instruments is shown below (in thousands, except number of instruments):

Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Financial Position	September 30, 2023			December 31, 2022		
		Number of Instruments	Notional Amounts	Estimated Fair Value	Number of Instruments	Notional Amounts	Estimated Fair Value
Equity-indexed options	Other invested assets	628	$ 3,960,800	$ 175,675	531	$ 3,772,900	$ 121,150
Equity-indexed embedded derivative	Policyholders' account balances	139,081	3,789,300	825,516	134,505	3,658,231	725,546

Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Operations	Gains (Losses) Recognized in Income on Derivatives				
		QTD		YTD		
		Successor	Successor	Successor	Successor	Predecessor
		Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Equity-indexed options	Net investment income	$ (31,706)	$ (25,370)	$ 39,712	$ (45,461)	$ (127,587)
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	(22,662)	67,154	(94,144)	91,235	96,815

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government-backed assets. The non-performance risk is the net counterparty exposure based on fair value of open contracts less fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. A right of offset has been applied to collateral that supports credit risk and has been recorded in the condensed consolidated statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral.

Note 7 – Derivative Instruments – (Continued)

Information regarding the Company's exposure to credit loss on the options it holds is presented below (in thousands):

		September 30, 2023						
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Bank of America	A2/A-	$ 11,177	$ 10,850	$ —	$ 10,850	$ 10,848	$ 2	$ 329
Barclays	Baa2/BBB	36,855	27,205	10,000	37,205	36,667	538	—
Credit Suisse	Baa1/BBB	13,915	14,540	—	14,540	13,915	625	—
ING	Baa1/A-	9,324	9,540	—	9,540	9,324	216	—
JP Morgan Chase	A1/A-	4,143	4,265	—	4,265	4,143	122	—
Morgan Stanley	A1/A-	26,565	24,220	5,700	29,920	26,565	3,355	—
NATIXIS*	A1/A	3,290	3,420	—	3,420	3,290	130	—
Truist	A3/A-	47,116	43,401	5,000	48,401	47,116	1,285	—
Wells Fargo	A1/BBB+	23,290	27,770	—	27,770	23,290	4,480	—
Total		**$ 175,675**	**$ 165,211**	**$ 20,700**	**$ 185,911**	**$ 175,158**	**$ 10,753**	**$ 329**

		December 31, 2022						
Counterparty	**Moody/S&P Rating**	**Options Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Bank of America	A2/A-	$ 4,821	$ 5,050	$ —	$ 5,050	$ 4,821	$ 229	$ —
Barclays	Baa2/BBB	26,615	16,902	10,000	26,902	26,615	287	—
Credit Suisse	Baa1/BBB+	6,124	5,280	—	5,280	5,280	—	844
ING	Baa1/A-	8,559	8,650	—	8,650	8,559	91	—
Morgan Stanley	A1/BBB+	23,420	17,386	5,700	23,086	23,086	—	334
NATIXIS*	A1/A	18,841	19,130	—	19,130	18,841	289	—
Truist	A3/A-	22,172	17,540	5,000	22,540	22,172	368	—
Wells Fargo	A1/BBB+	10,599	10,610	—	10,610	10,468	142	131
Total		**$ 121,151**	**$ 100,548**	**$ 20,700**	**$ 121,248**	**$ 119,842**	**$ 1,406**	**$ 1,309**

* *Collateral is prohibited from being held in invested assets.*

Note 8 – Net Investment Income and Realized Investment Gains (Losses)

Net investment income is shown below (in thousands):

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Bonds	$ 173,026	$ 147,836	496,943	$ 204,862	$ 223,195
Short-term investments	45,794	19,524	137,994	25,111	3,870
Equity securities	4,458	310	4,349	734	629
Mortgage loans	79,558	74,744	222,005	99,142	123,278
Real estate and real estate partnerships	3,013	25,010	23,289	47,406	111,344
Investment funds	52,915	9,861	102,836	17,071	34,431
Equity-indexed options	(31,706)	(25,370)	39,712	(45,461)	(127,587)
Other invested assets	11,940	10,267	34,989	14,328	15,648
Total	**$ 338,998**	**$ 262,182**	**1,062,117**	**$ 363,193**	**$ 384,808**

Net investment income from equity method investments, comprised of real estate partnerships and investment funds was $50.3 million and $39.7 million for the three months ended September 30, 2023 and 2022, respectively. Net investment income from equity method investments, comprised of real estate partnerships and investment funds, was $120.7 million and $169.6 million for the nine months ended September 30, 2023 and 2022, respectively.

Net realized investment gains (losses) are shown below (in thousands):

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Bonds	$ (2,974)	$ (10,194)	$ (51,000)	$ (10,668)	$ 10,339
Mortgage loans	(8,787)	—	(14,838)	—	—
Real estate	(2,915)	6,440	1,311	7,418	10,461
Other invested assets	(1)	150	(183)	150	273
Total	**$ (14,677)**	**$ (3,604)**	**$ (64,710)**	**$ (3,100)**	**$ 21,073**

Note 9 – Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments are shown below (in thousands):

	September 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity, bonds available-for-sale	$ 12,352,608	$ 12,352,608	$ 13,512,819	$ 13,512,819
Equity securities	829,213	829,213	428,369	428,369
Equity-indexed options, included in other invested assets	175,675	175,675	121,150	121,150
Mortgage loans on real estate, net of allowance	5,661,116	5,328,156	5,546,175	5,306,834
Policy loans	383,077	383,077	374,481	374,481
Short-term investments	3,501,024	3,501,024	1,836,678	1,836,678
Separate account assets ($1,157,995 and $1,012,449 included in fair value hierarchy)	1,090,390	1,090,390	1,045,217	1,045,217
Separately managed accounts, included in other invested assets	121,707	121,707	127,291	127,291
Total financial assets	**$ 24,114,810**	**$ 23,781,850**	**$ 25,254,370**	**$ 25,015,029**
Financial liabilities				
Investment contracts	$ 14,074,384	$ 14,074,384	$ 9,780,174	$ 9,780,174
Embedded derivative liability for equity-indexed contracts	825,516	825,516	725,546	725,546
Notes payable	170,155	170,155	150,913	150,913
Separate account liabilities ($1,157,995 and $1,012,449 included in fair value hierarchy)	1,090,390	1,090,390	1,045,217	1,045,217
Total financial liabilities	**$ 16,160,445**	**$ 16,160,444**	**$ 11,701,850**	**$ 11,701,850**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. American National has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect American National’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Note 9 – Fair Value of Financial Instruments – (Continued)

Valuation Techniques for Financial Instruments Recorded at Fair Value

Fixed Maturity Securities and Equity Options—American National utilizes a pricing service to estimate fair value measurements. The fair value for fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Since fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on the asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

American National has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant’s assumptions. American National does not adjust quotes received from the pricing service. The pricing service utilized by American National has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

American National holds a small amount of private placement debt and fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent pricing source (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, American National includes these fair value estimates in Level 3.

For securities priced using a quote from an independent pricing source, such as the equity-indexed options and certain fixed maturity securities, American National uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities—For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. American National tests the accuracy of the information provided by reference to other services annually.

Short-term Investments—Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Note 9 – Fair Value of Financial Instruments – (Continued)

Separate Account Assets and Liabilities—Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of American National. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. American National reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from American National's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, American National's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the condensed consolidated statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of American National.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and fixed maturity bonds available-for-sale. Equity securities are classified as Level 1 measurements. Short-term investments and fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investment funds, accrued investment income, and receivables for securities. These are not financial instruments and are not included in the quantitative disclosures of fair value hierarchy table.

The balances and changes in separate account assets and liabilities for the nine months ended September 30, 2023 were as follows (in thousands):

	September 30, 2023			
	Variable Life	Variable Annuities	Pension	Total
Balance, beginning of year	**$ 230,148**	**$ 349,820**	**$ 465,249**	**$ 1,045,217**
Premiums and deposits	8,447	48,422	1,260	58,129
Policy charges	(7,140)	(3,184)	(99)	(10,423)
Surrenders and withdrawals	(12,977)	(64,773)	(233)	(77,983)
Benefit payments	—	—	(17,663)	(17,663)
Investment performance	24,251	25,738	48,815	98,804
Net transfers from (to) general account	(2,017)	(3,674)	—	(5,691)
Balance, end of period	**$ 240,712**	**$ 352,349**	**$ 497,329**	**$ 1,090,390**
Cash Surrender Value	$ 240,712	$ 352,813	$ —	$ 593,525

Embedded Derivatives—The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract's surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.
- Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index. At September 30, 2023 and December 31, 2022, the one year implied volatility used to estimate embedded derivative value was 18.3% and 23.4%, respectively.

Note 9 – Fair Value of Financial Instruments – (Continued)

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

	Fair Value			Range	
	September 30, 2023	December 31, 2022	Unobservable Input	September 30, 2023	December 31, 2022
Security type					
Embedded derivative					
Indexed Annuities	$ 792.3	$ 713.5	Lapse Rate	1-50%	1-50%
			Mortality Multiplier	100%	100%
			Equity Volatility	10-64%	16-66%
Indexed Life	$ 33.2	$ 12.1	Equity Volatility	14-62%	16-66%

Quantitative Disclosures

The fair value hierarchy measurements of the financial instruments are shown below (in thousands):

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at September 30, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 64,244	$ 64,244	$ —	$ —
U.S. states and political subdivisions	725,526	—	725,526	—
Foreign governments	8,728	—	8,728	—
Corporate debt securities	9,843,651	—	8,128,171	1,715,480
Residential mortgage-backed securities	118,294	—	118,294	—
Collateralized debt securities	1,592,165	—	1,574,802	17,363
Total bonds available-for-sale	**12,352,608**	**64,244**	**10,555,521**	**1,732,843**
Equity securities				
Common stock	727,208	124,107	—	603,101
Preferred stock	95,941	21,487	—	74,454
Private equity and other	6,064	—	—	6,064
Total equity securities	**829,213**	**145,594**	**—**	**683,619**
Options	175,675	—	—	175,675
Short-term investments	3,501,024	2,218,475	—	1,282,549
Separate account assets	1,057,995	327,850	730,145	—
Separately managed accounts	121,707	—	—	121,707
Total financial assets	**$ 18,038,222**	**$ 2,756,163**	**$ 11,285,666**	**$ 3,996,393**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 825,516	$ —	$ —	$ 825,516
Market risk benefits	61,804	—	—	61,804
Separate account liabilities	1,057,995	327,850	730,145	—
Total financial liabilities	**$ 1,945,315**	**$ 327,850**	**$ 730,145**	**$ 887,320**

Note 9 – Fair Value of Financial Instruments – (Continued)

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 40,009	$ 40,009	$ —	$ —
U.S. states and political subdivisions	854,861	—	854,861	—
Foreign governments	9,004	—	9,004	—
Corporate debt securities	11,257,630	—	10,525,008	732,622
Residential mortgage-backed securities	126,748	—	126,748	—
Collateralized debt securities	1,224,567	—	362,381	862,186
Total bonds available-for-sale	**13,512,819**	**40,009**	**11,878,002**	**1,594,808**
Equity securities				
Common stock	371,836	203,034	—	168,802
Preferred stock	56,533	21,917	—	34,616
Total equity securities	**428,369**	**224,951**	**—**	**203,418**
Options	121,150	—	—	121,150
Short-term investments	1,836,678	595,098	—	1,241,580
Separate account assets	1,012,499	313,752	698,747	—
Separately managed accounts	127,291	—	—	127,291
Total financial assets	**$ 17,038,806**	**$ 1,173,810**	**$ 12,576,749**	**$ 3,288,247**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 725,546	$ —	$ —	$ 725,546
Separate account liabilities	1,012,499	313,752	698,747	—
Total financial liabilities	**$ 1,738,045**	**$ 313,752**	**$ 698,747**	**$ 725,546**

Note 9 – Fair Value of Financial Instruments – (Continued)

For financial instruments measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below (in thousands):

	Level 3			
	Three months ended September 30, 2023			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning Balance	**$ 4,493,000**	**$ 215,446**	**$ 127,291**	**$ 808,598**
Net loss for derivatives and bonds included in net investment income	—	(31,706)	—	—
Net change included in interest credited	—	—	—	22,662
Net fair value change included in other comprehensive income	(381,467)	—	(358)	—
Purchases, sales and settlements or maturities				
Purchases	642,162	37,831	11,030	—
Sales	(1,042,052)	—	(16,256)	—
Settlements or maturities	(12,632)	(45,896)	—	—
Premiums less benefits	—	—	—	(5,744)
Ending balance at September 30, 2023	**$ 3,699,011**	**$ 175,675**	**$ 121,707**	**$ 825,516**

	Level 3			
	Nine months ended September 30, 2023			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning Balance	**$ 3,039,806**	**$ 121,150**	**$ 127,291**	**$ 725,546**
Net gain for derivatives and bonds included in net investment income	—	39,712	—	—
Net change included in interest credited	—	—	—	94,144
Net fair value change included in other comprehensive income	(286,273)	—	(1,358)	—
Purchases, sales and settlements or maturities				
Purchases	2,866,162	98,709	14,030	—
Sales	(1,908,052)	—	(18,256)	—
Settlements or maturities	(12,632)	(83,896)	—	—
Premiums less benefits	—	—	—	5,826
Ending balance at September 30, 2023	**$ 3,699,011**	**$ 175,675**	**$ 121,707**	**$ 825,516**

	Level 3			
	Three months ended September 30, 2022			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 741,936**	**$ 101,254**	**$ 118,184**	**$ 724,239**
Net loss for derivatives included in net investment income	—	(25,286)	—	—
Net change included in interest credited	—	—	—	(67,154)
Net fair value change included in other comprehensive income	(487)	—	444	—
Purchases, sales and settlements or maturities				
Purchases	1,153,506	28,990	14,946	—
Sales	(2,706)	—	(7,936)	—
Settlements or maturities	—	(6,722)	—	—
Premiums less benefits	—	—	—	14,315
Ending balance at September 30, 2022	**$ 1,892,249**	**$ 98,236**	**$ 125,638**	**$ 671,400**

Note 9 – Fair Value of Financial Instruments – (Continued)

	Level 3			
	Period from May 25, 2022 through September 30, 2022			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 376,254**	**$ 114,883**	**$ 112,866**	**$ 745,075**
Net loss for derivatives included in net investment income	—	(45,377)	—	—
Net change included in interest credited	—	—	—	(91,235)
Net fair value change included in other comprehensive income	(471)	—	587	—
Purchases, sales and settlements or maturities				
Purchases	1,521,673	37,981	26,008	—
Sales	(5,207)	—	(13,823)	—
Settlements or maturities	—	(9,251)	—	—
Premiums less benefits	—	—	—	17,560
Ending balance at September 30, 2022	**$ 1,892,249**	**$ 98,236**	**$ 125,638**	**$ 671,400**

	Level 3			
	Period from January 1, 2022 through May 24, 2022			
	Assets			Liability
Predecessor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 280,705**	**$ 259,393**	**$ 99,884**	**$ 832,579**
Net loss for derivatives included in net investment income	—	(127,587)	—	—
Net change included in interest credited	—	—	—	(96,815)
Net fair value change included in other comprehensive income	395	—	(368)	—
Purchases, sales and settlements or maturities				
Purchases	145,542	43,934	23,046	—
Sales	(50,388)	—	(9,696)	—
Settlements or maturities	—	(60,847)	—	—
Premiums less benefits	—	—	—	9,311
Ending balance at May 24, 2022	**$ 376,254**	**$ 114,893**	**$ 112,866**	**$ 745,075**

Within the net gain (loss) for derivatives included in net investment income were unrealized gains of $37.9 million and unrealized losses of $41.0 million, relating to assets still held at September 30, 2023 and 2022, respectively.

There were no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. American National's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions. Approximately $575 million of level 3 securities were priced by third party services in the successor periods presented.

Equity-index Options—Certain over the counter equity options are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Note 9 – Fair Value of Financial Instruments – (Continued)

The following summarizes the fair value (in thousands), valuation techniques and unobservable inputs of the Level 3 fair value measurements:

	Fair Value at September 30, 2023	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 609,165	Guideline public company method (1)	Recurring Revenue Multiple	6.3x
			LTM EBITDA Multiple	0
		CVM		0
			LTM Revenue Multiple	2.1x
			NCY Revenue Multiple	0
			NCY Cash Flow Multiple	5.0x
			NCY EBITDA Multiple	0
Preferred stock	74,454	Guideline public company method	LTM Revenue Multiple (4)	4x
		CVM	Priced at cost, LTM EBITDA Multiple	0
			NCY Revenue Multiple	0
			LTM EBITDA Multiple	12.7x
			NCY CF Multiple	5x
			Term (Years)	1.1
			LTM EBITDA (est.) Multiple	7.5x
			NCY EBITDA Multiple	0
			NTM Adj. EBITDA Multiple	9x
			NCY Cash Flow Multiple	5x
			Option pricing method, Volatility	73.6x
			Market Transaction	0
Bonds	1,732,843	Priced at cost		
Separately managed accounts	$ 121,707	Discounted cash flows (yield analysis)	Discount rate	8.80-18.50%
		CVM	NCY EBITDA	0x
		Market transaction		N/A

	Fair Value at December 31, 2022	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 1,131	Guideline public company method (1)	LTM Revenue Multiple	3xx
		CVM	NCY Revenue Multiple (6)	0.6x
			NCY EBITDA Multiple	5.5x
			LQA Recurring Revenue Multiple (7)	7.25
Preferred stock	$ 5,058	Guideline public company method	LTM Revenue Multiple (4)	5.4x
		CVM	NCY Revenue Multiple	6.82x
			LTM EBITDA Multiple	5.50x
			NCY EBITDA Multiple (8)	5.50x
Bonds	$ 311,732	Priced at cost	Coupon rate	4.00-11.13%
Separately managed accounts	$ 127,291	Discounted cash flows (yield analysis)	Discount rate	7.60-21.10%
		CVM	NCY EBITDA	0x
		Market transaction		N/A

(1) Guideline public company method uses price multiples from data on comparable public companies. Multiples are then adjusted to account for differences between what is being valued and comparable firms.

(2) Recurring Revenue Multiple for the most relevant period of time, measures the value of the equity or a business relative to the revenues it generates.

(3) Last Twelve Months ("LTM") EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization ("EBITDA") adjustments for the past 12 month period.

(4) LTM Revenue Multiple valuation metric shows revenue for the past 12 month period.

(5) Next Calendar Year ("NCY") EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.

(6) NCY Revenue forecast revenue over the next calendar year.

(7) Last quarter annualized recurring revenue. Total recurring revenue realized during the previous quarter multiplied by 4.

Note 9 – Fair Value of Financial Instruments – (Continued)

Investment Securities—These bonds use cost as the best estimate of fair value. They are valued at cost because the value would not change unless there is a fundamental deterioration in the portfolio. There is no observable market valuation price or third-party sources that provide market values for these securities since they are not publicly traded. The common and preferred stock are valued at market transaction, option pricing method, or guideline public company method based on the best available information.

Separately Managed Accounts—The separately managed account manager uses the mid-point of a range from a third-party to price these securities. Discounted cash flows (yield analysis) and market transactions approach are used in the valuation. They use discount rate which is considered an unobservable input.

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair value is discussed below:

Mortgage Loans—The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property-type, lien priority, payment type and current status.

Policy Loans—The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, American National believes the carrying value of policy loans approximates fair value.

Investment Contracts—The carrying value of investment contracts is equivalent to the accrued account balance. The accrued account balance consists of deposits, net of withdrawals, net of interest credited, fees and charges assessed and other adjustments. American National believes that the carrying value of investment contracts approximates fair value because the majority of these contracts' interest rates reset at anniversary.

Notes Payable—Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the balance sheet date.

Note 9 – Fair Value of Financial Instruments – (Continued)

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below (in thousands):

	September 30, 2023		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,661,116	$ 5,328,156
Policy loans	Level 3	383,077	383,077
Total financial assets		**$ 6,044,193**	**$ 5,711,233**
Financial liabilities			
Investment contracts	Level 3	$ 14,074,384	$ 14,074,384
Long-term debt	Level 3	1,498,386	1,451,780
Notes payable	Level 3	170,155	170,155
Total financial liabilities		**$ 15,742,925**	**$ 15,696,319**

	December 31, 2022		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,546,175	$ 5,306,834
Policy loans	Level 3	374,481	374,481
Total financial assets		**$ 5,920,656**	**$ 5,681,315**
Financial liabilities			
Investment contracts	Level 3	$ 9,780,174	$ 9,780,174
Long-term debt	Level 3	1,495,774	1,503,400
Notes payable	Level 3	150,913	150,913
Total financial liabilities		**$ 11,426,861**	**$ 11,434,487**

Note 10 – Deferred Policy Acquisition Costs and Value of Business Acquired

The changes in the asset for DAC and VOBA for the nine months ended September 30, 2023 were as follows (in thousands):

	Life	Annuity	Health	Property & Casualty	Total
Beginning balance at January 1, 2023	**$ 400,985**	**$ 72,469**	**$ 7,153**	**$ 184,871**	**$ 665,478**
Additions	145,947	143,312	7,703	346,906	643,868
Amortization	(31,008)	(11,621)	(5,322)	(350,206)	(398,157)
Net change	**114,939**	**131,691**	**2,381**	**(3,300)**	**245,711**
Ending balance at September 30, 2023	**$ 515,924**	**$ 204,160**	**$ 9,534**	**$ 181,571**	**$ 911,189**

Commissions comprise the majority of additions to deferred policy acquisition costs.

The following table provides the projected VOBA amortization expenses for a five-year period and thereafter (in thousands):

Years	Asset
2023	$ 8,261
2024	30,734
2025	27,424
2026	24,750
2027	22,385
Thereafter	227,064
Total amortization expense	**$ 340,618**

The amortization of the VOBA asset is included in the change in deferred acquisition costs in the consolidated statement of operations.

Note 11 – Liability for Unpaid Claims and Claim Adjustment Expenses

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the condensed consolidated statements of financial position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the condensed consolidated results of operations in the period in which the changes occur. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below (in thousands):

	Successor	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Unpaid claims balance, beginning	**$ 1,554,761**	**$ 1,496,156**	**$ 1,455,080**
Less: Reinsurance recoverables	305,334	281,156	288,358
Net beginning balance	**1,249,427**	**1,215,000**	**1,166,722**
Incurred related to			
Current	1,227,254	510,825	562,144
Prior years	(25,459)	(20,344)	(21,106)
Total incurred claims	**1,201,795**	**490,481**	**541,038**
Paid claims related to			
Current	655,327	324,608	225,241
Prior years	432,286	122,718	267,519
Total paid claims	**1,087,613**	**447,326**	**492,760**
Net balance	**1,363,609**	**1,258,155**	**1,215,000**
Plus: Reinsurance recoverables	316,709	315,632	281,156
Unpaid claims balance, ending	**$ 1,680,318**	**$ 1,573,787**	**$ 1,496,156**

Estimates for ultimate incurred claims attributable to insured events of prior years' decreased by approximately $25.4 million during the first nine months of 2023 and decreased by $20.3 million during the same period in 2022. The favorable development in 2023 during the "Successor" period was a reflection of lower-than-anticipated losses arising from commercial lines of business. The favorable development in 2022 during the "Predecessor" period was a reflection of lower-than-anticipated settlement of losses arising from Manager General Underwriting, credit health, worksite health, personal auto, commercial auto and agribusiness lines of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at September 30, 2023 and December 31, 2022 was $16.8 million and $16.0 million, respectively.

Note 12 – Federal Income Taxes

A reconciliation of the effective tax rate to the statutory federal tax rate is shown below (in thousands, except percentages):

	QTD				YTD					
	Successor		Successor		Successor		Successor		Predecessor	
	Three months ended September 30, 2023		Three months ended September 30, 2022		Nine months ended September 30, 2023		Period from May 25, 2022 through June 30, 2022		Period from January 1, 2022 through May 24, 2022	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Total expected income tax expense at the statutory rate	$ 12,880	21.0 %	$ 40,827	21.0 %	$ 40,274	21.0 %	$ 35,476	21.0 %	$ 35,113	21.0 %
Tax-exempt investment income	(759)	(1.2)	(899)	(0.5)	(2,344)	(1.2)	(1,204)	(0.7)	(1,811)	(1.1)
Dividend exclusion	(25)	—	(126)	(0.1)	(188)	(0.1)	(246)	(0.1)	(224)	(0.1)
Tax credits, net	(4,861)	(7.9)	(1,313)	(0.7)	(14,563)	(7.6)	(1,754)	(1.0)	(2,213)	(1.3)
Low income housing tax credit expense	824	1.3	890	0.5	2,253	1.2	1,159	0.7	1,344	0.8
Merger transaction costs	—	—	(4)	—	—	—	830	0.5	2,621	1.6
Deferred tax adjustment	—	—	—	—	—	—	—	—	(2,148)	(1.3)
Other items, net	570	0.9	1,660	1.0	2,772	1.4	20	—	295	0.2
Total	**$ 8,629**	**14.1 %**	**$ 41,035**	**21.2 %**	**$ 28,204**	**14.7 %**	**$ 34,281**	**20.4 %**	**$ 32,977**	**19.8 %**

For the three months ended September 30, 2023, American National received no income tax refunds and made no income tax payments. For the nine months ended September 30, 2023 American National received income tax refunds of $15.9 million and made income tax payments of $22.6 million. As of September 30, 2023, American National had net operating loss carryforwards of $188 million and no material tax credit carryforwards. Net operating loss carryforwards, if not utilized, will expire in 2043.

American National is a party to a tax sharing agreement with its parent, BAMR US Holdings, LLC. In accordance with the agreement, if American National has taxable income, it pays its share of the consolidated federal income tax liability to its parent. However, if American National incurs a tax loss, the tax benefit is recovered by decreasing subsequent year's federal income tax payments to its parent.

American National's federal income tax returns for tax years 2020 to 2022 are subject to examination by the Internal Revenue Service. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld.

As of September 30, 2023, American National had no provision for uncertain tax positions and no provision for penalties or interest. In addition, management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would impact American National's effective tax rate.

Note 13 – Accumulated Other Comprehensive Income (Loss)

According to PGAAP Accounting, accumulated other comprehensive income (loss) ("AOCI"), was written off as a result of the Merger with Brookfield Reinsurance. The components of and changes in AOCI are shown below (in thousands):

Successor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Change in Discount Rate Used to Measure LFPB	Change in Fair Value of Market Risk Benefits	Accumulated Other Comprehensive Income (Loss)
Beginning balance at January 1, 2023	**$ (721,536)**	**$ 1,161**	**$ (1,237)**	**$ 253,126**	**$ 20,779**	**$ (447,707)**
Amounts reclassified from AOCI	30,000	4,341	—	—	—	34,341
Unrealized losses arising during the period	(38,207)	—	—	—	—	(38,207)
Change in discount rates	—	—	—	138,738	—	138,738
Change in fair value market risk benefits	—	—	—	—	(20,483)	(20,483)
Foreign currency adjustment	—	—	155	—	—	155
Ending balance at September 30, 2023	**$ (729,743)**	**$ 5,502**	**$ (1,082)**	**$ 391,864**	**$ 296**	**$ (333,163)**

	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Accumulated Other Comprehensive Income (Loss)
Beginning balance at May 25, 2022	**$ —**	**$ —**	**$ —**	**$ —**
Amounts reclassified to from AOCI	2,109	(2,887)	—	(778)
Unrealized losses arising during the period	(767,588)	—	—	(767,588)
Unrealized losses on investments attributable to participating policyholders' interest	15,684	—	—	15,684
Change in discount rates	—	—	—	—
Change in fair value market risk benefits	—	—	—	—
Foreign currency adjustment	—	—	1,100	1,100
Ending balance at September 30, 2022	**$ (749,795)**	**$ (2,887)**	**$ 1,100**	**$ (751,582)**

Predecessor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Accumulated Other Comprehensive Income (Loss)
Beginning balance at January 1, 2022	**$ 149,312**	**$ 546**	**$ (2,804)**	**$ 147,054**
Amounts reclassified from AOCI	(6,587)	4,800	—	(1,787)
Unrealized losses arising during the period	(782,002)	—	—	(782,002)
Unrealized adjustment to DAC	157,231	—	—	157,231
Unrealized losses on investments attributable to participating policyholders' interest	10,648	—	—	10,648
Foreign currency adjustment	—	—	312	312
Ending balance at May 24, 2022	**$ (471,398)**	**$ 5,346**	**$ (2,492)**	**$ (468,544)**

Unrealized gains increased during the period ended September 30, 2023 compared to December 31, 2022, as a result of a decrease in the benchmark ten-year interest rates, which were 4.57% and 3.87%, respectively.

Note 14 – Equity and Noncontrolling Interests

Prior to the Merger, ANAT had one class of common stock with a par value of $0.01 per share, with 50,000,000 authorized shares and 26,887,200 outstanding shares (including 10,000 shares of restricted stock). On May 25, 2022, the effective date of the Merger, each issued and outstanding share of the Company's common stock was converted into the right to receive $190.00 in cash without interest pursuant to the Merger Agreement. Refer to Note 1, Nature of Operations, for more information. Subsequent to the closing of the merger, and effective September 30, 2022, ANAT converted from a corporation to a limited liability company. Following such conversion, there is one outstanding member unit, which is owned by BAMR US Holdings LLC ("BAMR US"), an indirect wholly owned subsidiary of Brookfield Reinsurance.

Statutory Capital and Surplus

Risk Based Capital (“RBC”) is a measure defined by the National Association of Insurance Commissioners ("NAIC") and is used by insurance regulators to evaluate the capital adequacy of American National's insurance subsidiaries. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level at least 100% of the company action level RBC are required to take certain actions.

American National's insurance subsidiaries prepare financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of each subsidiary's state of domicile, which include certain components of the National Association of Insurance Commissioners’ Codification of Statutory Accounting Principles (“NAIC Codification”). NAIC Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting practices continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the statutory capital and surplus of our insurance subsidiaries.

Statutory accounting differs from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, and valuing securities on a different basis. In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus.

American National has been granted a permitted practice from the Texas Department of Insurance to recognize an admitted asset related to the notional value of coverage defined in an excess of loss reinsurance agreement. The permitted practice increases the statutory capital and surplus of American National by $563.6 million at September 30, 2023. The statutory capital and surplus of American National would have remained above authorized control level RBC had it not used the permitted practice.

One of American National’s insurance subsidiaries has been granted a permitted practice from the Missouri Department of Insurance to record as the valuation of its investment in a wholly-owned subsidiary that is the attorney-in-fact for a Texas domiciled insurer, the statutory capital and surplus of the Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of American National Property And Casualty Company ("ANPAC") by $66.6 million and $79.3 million at September 30, 2023 and December 31, 2022, respectively. The statutory capital and surplus of both ANPAC and American National Lloyds Insurance Company would have remained above the authorized control level RBC had it not used the permitted practice.

The statutory capital and surplus and net income (loss) of our life and property and casualty insurance entities in accordance with statutory accounting practices are shown below (in thousands):

	September 30, 2023	December 31, 2022
Statutory capital and surplus		
Life insurance entities	$ 1,857,074	$ 4,207,301
Property and casualty insurance entities	1,631,301	1,768,116

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Statutory net income (loss)				
Life insurance entities	$ (58,055)	$ 232,859	$ (165,745)	$ 323,101
Property and casualty insurance entities	(18,356)	2,317	(66,600)	(2,653)

Note 14 – Equity and Noncontrolling Interests - (Continued)

Dividends

We paid a quarterly dividend of $0.82 per share during the three months ended March 31, 2022, prior to the completion of the Merger effective May 25, 2022.

Under the terms of the Merger Agreement with Brookfield Reinsurance, American National was not permitted to pay cash dividends prior to the closing of the Merger, except for quarterly cash dividends of not more than $0.82 per share, with record and payment dates set forth on an agreed schedule that reflected American National's historical dividend amounts, record dates and payment dates. Consistent with that schedule, American National paid four quarterly cash dividends after the Merger Agreement was signed on August 6, 2021.

On January 1, 2023, ANICO's wholly owned subsidiary ANH Investments, LLC ("ANH") distributed the stock of its wholly owned subsidiary American National Insurance Holdings, Inc. ("ANIH") to ANICO, and ANICO distributed such stock to ANAT. Such transactions were pursuant to approvals from the domiciliary state insurance regulators of ANICO and the subsidiary insurance companies owned by ANIH as of December 31, 2022. In addition, on January 1, 2023, ANICO distributed its entire interest in its wholly owned subsidiary, ANTAC, LLC to ANAT.

Noncontrolling Interest

American National County Mutual Insurance Company ("County Mutual") is a mutual insurance company owned by its policyholders. ANICO has a management agreement that effectively gives it control of County Mutual. As a result, County Mutual is included in the condensed consolidated financial statements of American National. Policyholder interests in the financial position of County Mutual are reflected as noncontrolling interest of $6.8 million at September 30, 2023 and $6.8 million at December 31, 2022.

ANAT and its subsidiaries exercise control or ownership of various joint ventures, resulting in their consolidation into American National's condensed consolidated financial statements. The interests of the other partners in the consolidated joint ventures are shown as a noncontrolling interest of $95.9 million and $67.5 million at September 30, 2023 and December 31, 2022, respectively.

Note 15 – Debt

As a result of the Merger on May 25, 2022, the Company assumed the Term Loan Agreement with a consortium of banks providing for five-year term loans in the aggregate principal amount of $1.5 billion maturing May 23, 2027. Interest is tied to Secured Overnight Financing Rate ("SOFR") and reset and paid quarterly. The all in rate at the end of the third quarter was 6.278%. On June 13, 2022, the Company repaid $500 million under the Term Loan Agreement and at September 30, 2023 had $1.0 billion principal amount outstanding. The outstanding debt balance was reduced by $2.8 million in unamortized issuance costs as of September 30, 2023. Year-to-date interest payments were $47.3 million and $18.5 million for nine months ended September 30, 2023 and seven months ended December 31, 2022.

In June 2022, the Company issued $500 million of 6.144% unsecured Senior Notes maturing June 13, 2032. Interest is payable in arrears in June and December of each year. Such notes were offered under Rule 144A of the Securities Act of 1933, as amended. The proceeds from the Senior Notes were used to repay a portion of the Term Loan Agreement. The outstanding note balance was reduced by $4.2 million in unamortized issuance costs as of September 30, 2023. An interest payment of $15.4 million was made on June 12, 2023.

Note 16 – Commitments and Contingencies

Commitments

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobiles. The remaining long-term lease commitments at September 30, 2023 were approximately $11.9 million.

American National had aggregate commitments at September 30, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.7 billion, of which $700.5 million is expected to be funded in 2023. The remaining $1.0 billion will be funded in 2024 and beyond.

In addition, the Company had revolving commitments of $112.5 million expected to be funded during 2023 and 2024.

American National had outstanding letters of credit in the amount of $3.5 million of September 30, 2023 and December 31, 2022.

Federal Home Loan Bank ("FHLB") Agreements

The Company has access to the FHLB's financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of September 30, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $8.9 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of September 30, 2023, the collateral provided borrowing capacity of approximately $657.3 million. The deposited securities and commercial mortgage loans are included in the Company's condensed consolidated statements of financial position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on American National's condensed consolidated financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the lowest amount of the range.

Note 17 – Related Party Transactions

American National has entered into recurring transactions and agreements with certain related parties. Prior to the Merger, these included mortgage loans, management contracts, agency commission contracts, marketing agreements, health insurance contracts, and legal services. The impact on the condensed consolidated financial statements of significant related party transactions is discussed below.

In 2023, the Company purchased related party investments totaling $3.0 billion, of which $1.9 billion were short term collateral loans, $0.7 billion in bonds and $0.4 billion in common stock and other various investment classes. In 2022, the Company purchased $0.8 billion in related party investments, composed of $0.7 billion in bonds, and $0.1 billion in residual equity. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

For the three and nine months ended September 2023 the Company paid investment management fees due to related party arrangements of $4.7 million and $13.9 million, respectively. For the three and nine months ended September, 2022 the Company paid investment management fees of $4.5 million.

On November 8, 2022 ANAT and BAMR US Holdings LLC entered into a deposit agreement. The balance at September 30, 2023 was $294.3 million. The deposit is considered a cash and cash equivalent in the Company's consolidated statements of financial position as of September 30, 2023.

On August 17, 2023 ANTAC, LLC (a subsidiary of ANAT) and BAMR US Holdings LLC entered into a deposit agreement. The balance at September 30, 2023 was $155.7 million. The deposit is considered a cash and cash equivalent in the Company's consolidated statements of financial position as of September 30, 2023.

Note 18 – Liability for Future Policy Benefits

The balances and changes in the liability for future policy benefits for the nine months ended September 30, 2023 are as follows (in thousands):

	September 30, 2023				
	Term Life	**Whole Life**	**Annuity**	**Health**	**Pension Risk Transfer**
Present value of Expected Net Premiums:					
Balance, beginning of period	**$ 2,181,520**	**$ 1,338,304**	**$ —**	**$ 254,452**	**$ —**
Beginning balance at original discount rate	2,400,114	1,425,419	—	262,239	—
Effect of changes in cash flow assumptions	(2,775)	977	—	27,118	—
Effect of actual variances from expected experience	(56,053)	19,200	1,291	(634)	—
Adjusted beginning of period balance	**2,341,286**	**1,445,596**	**1,291**	**288,723**	**—**
Net issuances (lapses)	35,947	39,533	11,338	(25,934)	677,762
Interest accrual	55,641	32,575	94	7,176	5,106
Net premiums collected	(111,500)	(179,122)	(12,723)	(26,770)	(682,868)
Ending balance at original discount rate	**2,321,374**	**1,338,582**	**—**	**243,195**	**—**
Effect of changes in discount rate assumptions	(324,182)	(119,614)	—	(8,098)	—
Balance, end of period	**$ 1,997,192**	**$ 1,218,968**	**$ —**	**$ 235,097**	**$ —**
Present value of Expected Future Policy Benefits:					
Balance, beginning of year	**$ 2,694,329**	**$ 2,635,785**	**$ 1,285,771**	**$ 292,528**	**$ 2,263**
Beginning balance at original discount rate	2,960,617	2,914,365	1,365,795	303,469	2,346
Effect of changes in cash flow assumptions	(2,983)	1,396	—	27,618	(1,071)
Effect of actual variances from expected experience	(56,472)	19,171	1,434	2,069	—
Adjusted beginning of period balance	**2,901,162**	**2,934,932**	**1,367,229**	**333,156**	**1,275**
Net issuances (lapses)	35,874	39,518	11,384	(26,153)	682,447
Interest accrual	69,136	66,213	30,653	8,518	17,718
Benefit payments	(83,363)	(301,608)	(118,800)	(29,931)	(15,369)
Ending balance at original discount rate	**2,922,809**	**2,739,055**	**1,290,466**	**285,590**	**686,071**
Effect of changes in discount rate assumptions	(401,508)	(387,747)	(110,713)	(11,726)	(38,277)
Balance, end of period	**2,521,301**	**2,351,308**	**1,179,753**	**273,864**	**647,794**
Gross liability for future policy benefits	**524,109**	**1,132,340**	**1,179,753**	**38,767**	**647,794**
Impact of flooring	—	—	—	—	—
Net liability for future policy benefits	**524,109**	**1,132,340**	**1,179,753**	**38,767**	**647,794**
Less: Reinsurance recoverable	(46,806)	—	—	(14,839)	—
Net liability for future policy benefits, after reinsurance recoverable	**$ 477,303**	**$ 1,132,340**	**$ 1,179,753**	**$ 23,928**	**$ 647,794**
Weighted-average liability duration of the liability	12.0	17.9	7.7	5.9	8.5
Undiscounted expected future benefit payments	$ 5,815,485	$ 6,237,204	$ 1,929,853	$ 459,069	$ 1,134,457
Undiscounted expected gross premiums	6,126,052	2,737,506	—	536,472	—
Gross premiums recognized in statement of operations	46,161	65,122	5,764	42,729	148,044
Interest expense recognized in statement of operations	8,570	22,165	19,819	1,337	7,940
Interest accretion rate	4.8%	4.5%	4.5%	4.0%	5.2%
Current discount rate	6.0	5.9	5.8	4.6	5.9

Note 18 – Liability for Future Policy Benefits – (Continued)

The reconciliation of liability for future policy benefits in the consolidated statement of financial position are as follows (in thousands):

	September 30, 2023
Term life	$ 524,110
Whole life	1,132,341
Annuity	1,179,623
Health	38,248
Pension Risk Transfer	647,794
Deferred profit liability	84,891
VOBA	1,797,390
Total	**$ 5,404,397**

Note 19 – Policyholder Account Balances

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0%to7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances for the nine months ended September 30, 2023 were as follows (in thousands):

	September 30, 2023			
	Universal Life	Equity Indexed Universal Life	Fixed Deferred Annuity	Equity Indexed Annuity
Balance, beginning of period	**$ 1,356,087**	**$ 613,661**	**$ 7,295,531**	**$ 4,683,853**
Issuances	28,109	35,319	3,725,826	293,451
Premiums received	188,743	105,939	18,513	7,875
Policy charges	(206,614)	(70,225)	(3,273)	(8,456)
Surrenders and withdrawals	(121,085)	(16,641)	(1,215,832)	(425,151)
Interest credited	27,562	35,229	206,600	170,895
Balance, end of period	**$ 1,272,802**	**$ 703,282**	**$ 10,027,365**	**$ 4,722,467**
Weighted-average crediting rate	2.8 %	7.1 %	3.7 %	1.8 %
Net amount at risk	$ 21,426,982	$ 16,016,051	$ —	$ 374,467
Cash surrender value	$ 1,189,193	$ 550,285	$ 9,543,412	$ 4,114,397

Note 19 – Policyholder Account Balances - (Continued)

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the consolidated statement of financial position are shown below (in thousands):

	September 30, 2023
Universal life	$ 1,272,802
Equity indexed universal life	703,282
Fixed deferred annuity	10,027,365
Equity indexed annuity	4,722,467
Single premium immediate annuity	306,397
Variable universal life	21,820
Variable deferred annuity	11,860
Pension	4,492
Total	**$ 17,070,485**

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums are shown below (in thousands):

		September 30, 2023				
	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Total
Universal Life	0.00%-1.00%	$ 19,539	$ —	$ —	$ —	$ 19,539
	1.00%-2.00%	18,967	2,083	10,599	—	31,649
	2.00%-3.00%	411,498	—	148,267	—	559,765
	Greater than 3.00%	661,849	—	—	—	661,849
	Total	**$ 1,111,853**	**$ 2,083**	**$ 158,866**	**$ —**	**$ 1,272,802**
Equity Indexed Universal Life	0.00%-1.00%	$ 21,178	$ —	$ —	$ —	$ 21,178
	1.00%-2.00%	286,513	—	126,331	200,653	613,497
	2.00%-3.00%	—	—	68,607	—	68,607
	Greater than 3.00%	—	—	—	—	—
	Total	**$ 307,691**	**$ —**	**$ 194,938**	**$ 200,653**	**$ 703,282**
Fixed Deferred Annuity	0.00%-1.00%	$ —	$ —	$ —	$ —	$ —
	1.00%-2.00%	320,224	421,381	1,880,611	2,080,971	4,703,187
	2.00%-3.00%	792,181	411,855	41,011	3,803,014	5,048,061
	Greater than 3.00%	268,426	6,248	609	834	276,117
	Total	**$ 1,380,831**	**$ 839,484**	**$ 1,922,231**	**$ 5,884,819**	**$ 10,027,365**
Equity Indexed Annuity	0.00%-1.00%	$ 2,741,493	$ 44,564	$ 442,005	$ 703,927	$ 3,931,989
	1.00%-2.00%	425,450	8,268	143,152	47,579	624,449
	2.00%-3.00%	85,947	11,498	9,857	58,727	166,029
	Greater than 3.00%	—	—	—	—	—
	Total	**$ 3,252,890**	**$ 64,330**	**$ 595,014**	**$ 810,233**	**$ 4,722,467**

Note 20 - Deferred Profit Liability

For limited-pay products, gross premiums received in excess of net premiums are deferred at initial recognition as DPL. The assumptions and reflection of experience for DPL will be consistent with those used in the liability for future policy benefits, including the remeasurement methodology. The discount rate used in calculating DPL will be consistent with the locked-in rate used for the liability for future policy benefits.

DPL is amortized in income on a constant basis in relation with benefit payments. For life contingent payout annuities DPL is amortized over expected future benefit payments.

For limited payment traditional life permanent contracts, DPL is amortized over face amount.

The balances and changes in the DPL for the nine months ended September 30, 2023 were as follows (in thousands):

	September 30, 2023			
	Whole Life	**Annuity**	**Health**	**Pension Risk Transfer**
Balance, beginning of period				
Balance, beginning of period, at locked-in discount rate	**$ 17,841**	**$ 6,056**	**$ —**	**$ —**
Effect of changes in cash flow assumptions	(177)	62	—	1,013
Effect of actual variances from expected experience	(340)	1,157	—	(646)
Adjusted beginning of period balance	**17,324**	**7,275**	**—**	**367**
Profits deferred	24,689	1,377	17,014	16,978
Interest accrual	740	181	—	227
Amortization	(14)	(599)	(393)	(202)
Balance, end of period, at locked-in discount rate	**$ 42,739**	**$ 8,234**	**$ 16,621**	**$ 17,370**

In May 2023, a subsidiary of the Company entered into a coinsurance agreement with an external reinsurer to cede 100% of its existing Medicare Supplement business.

Note 21 - Market Risk Benefits

American National classifies the Lifetime Income Rider ("LIR") as an MRB. The LIR is a rider offering guaranteed minimum withdrawal benefits available on certain fixed indexed annuity products.

The balances of and changes in guaranteed minimum withdrawal benefits associated with annuity contracts follow (in thousands).

	September 30, 2023
	Annuity
Balance, beginning of period	**$ 44,892**
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	**44,892**
Effect of changes in the beginning instrument-specific credit risk	26,303
Effect of model refinements	—
Effect of non-financial assumption update	(8,561)
Attributed fees collected	9,320
Interest accrual	2,455
Adjustment from deterministic to stochastic	14,873
Effect of experience variance	(9,777)
Effect of changes in financial assumptions	(30,144)
Issuance	303
Balance, end of period, before effect of changes in nonperformance risk	**49,664**
Effect of changes in the ending instrument-specific credit risk	(510)
Balance, end of period	**49,154**
Reinsurance recoverable, end of period	—
Balance, end of period, net of reinsurance	**$ 49,154**

	September 30, 2023
	Annuity
Weighted-average attained age of contract holders amounted	$ 65

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the market risk benefits amount in the consolidated statement of financial position follows (in thousands).

	September 30, 2023		
	Asset	Liability	Net
Annuity	$ 13,616	$ 61,804	$ 48,188

Note 22 - Subsequent Events

The Company evaluated all events and transactions through November 30, 2023, the date the accompanying consolidated financial statements were available to be issued.

Note 23 - Dispositions

Disposition of Standard Life and Accident Insurance Company

In June 2023, a subsidiary of ANAT finalized an agreement with Core Specialty Insurance Holdings, Inc. to sell its Managing General Underwriter ("MGU") stop-loss business. The business is being acquired for cash through the acquisition of 100% of the stock of Standard Life and Accident Insurance Company (“SLAICO”) and certain reinsurance transactions. The life, annuity and non-MGU stop-loss health business currently in SLAICO will be reinsured back to the Company at closing. The completion of the transaction will be conditional upon obtaining the required regulatory approvals and is expected to close in the fourth quarter of 2023.

The carrying amounts of the major classes of assets and liabilities classified as held for sale are shown below (in thousands):

	September 30, 2023
Cash and cash equivalents	$ 12,927
Accrued investment income	7,910
Reinsurance recoverables	185,735
Premiums due and other receivables	43,039
Other assets	11,793
Total assets	**$ 261,404**
Policy and contract claims	$ 189,445
Other liabilities	55,158
Total liabilities	**$ 244,603**

Exhibit 11j

BAM Re Holdings, BAMR US and BAMR US Holdings -

2022 & 2021 Balance Sheets

CONFIDENTIAL

EXHIBIT 12(a)

Annual Report of AEL Holdco for the Year-End 2022

AEL™

Annual Report

2022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission File Number: 001-31911

American Equity Investment Life Holding Company
(Exact name of registrant as specified in its charter)

Iowa	**42-1447959**
(State or other jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

6000 Westown Parkway
West Des Moines, Iowa 50266
(Address of principal executive offices, including zip code)

(515) 221-0002
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $1	AEL	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A	AELPRA	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B	AELPRB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $1

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes ☐ No ☒

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $3,270,357,970 based on the closing price of $36.57 per share, the closing price of the common stock on the New York Stock Exchange on June 30, 2022.

Shares of common stock outstanding as of February 22, 2023: 84,780,391

Documents incorporated by reference: Portions of the registrant's subsequent disclosure to be filed within 120 days after December 31, 2022, are incorporated by reference into Part III of this report.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2022
TABLE OF CONTENTS

PART I

Item 1. Business

Introduction

We are a leader in the development and sale of fixed index and fixed rate annuity products. We were incorporated in the state of Iowa on December 15, 1995. We issue fixed annuity products through our wholly-owned life insurance subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York") and Eagle Life Insurance Company ("Eagle Life"). We have one business segment which represents our core business comprised of the sale of fixed index and fixed rate annuities. We are licensed to sell our products in 50 states and the District of Columbia. Throughout this report, unless otherwise specified or the context otherwise requires, all references to "American Equity", the "Company", "we", "our" and similar references are to American Equity Investment Life Holding Company and its consolidated subsidiaries.

Investor related information, including periodic reports filed on Forms 10-K, 10-Q and 8-K and any amendments may be found on our website at *www.american-equity.com* as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission ("SEC"). In addition, we have available on our website our: (i) code of business conduct and ethics; (ii) audit and risk committee charter; (iii) compensation and talent management committee charter; (iv) nominating and corporate governance committee charter and (v) corporate governance guidelines. The information incorporated herein by reference is also electronically accessible from the SEC's website at *www.sec.gov*.

Annuity Market Overview

Our target market includes individuals, typically ages 40 or older, who are seeking to accumulate tax-deferred savings or create guaranteed lifetime income. We believe that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U.S. Census Bureau, there were approximately 54 million Americans age 65 and older in 2019, representing approximately 16.5% of the U.S. population, up from 14% in 2015. This group is expected to continue to grow and is expected to be over 20% of the total U.S. population during the next decade. We expect our fixed index and fixed rate annuity products to be particularly attractive to this group due to their principal protection, competitive rates of credited interest, tax-deferred growth, guaranteed lifetime income and alternative payout options. We expect our competitive fixed index and fixed rate annuity products to enable us to enjoy favorable growth in client assets.

According to Secure Retirement Institute, with preliminary data for 4Q2022, total U.S. annuity sales in 2022 were $310.6 billion, up 21.9% compared to $254.8 billion in 2021. Fixed annuity sales totaled $208.0 billion in 2022, up 61% compared to $129.2 billion in 2021. This market is directly comparable to the target market for our products. Fixed index annuity sales totaled $79.4 billion in 2022, up 24.6% compared to $63.7 billion in 2021. Fixed rate deferred annuity sales were $112.1 billion in 2022, up 109.9% compared to $53.4 billion in 2021. Outside of fixed annuities, the other growing part of the U.S. annuity market was the registered index-linked annuity market. Sales in this market were $40.9 billion in 2022, up 4.6% compared to $39.1 billion in 2021.

Strategy

While the business looks considerably different today than it did when it was started back in 1995, the themes have been consistent. We offer our customers simple fixed and fixed index annuity products, which we primarily sell through independent insurance agents in the independent marketing organization (“IMO”) distribution channel. We have consistently been a leader in the IMO market. We will benefit from two secular trends: the demographic trends of people retiring or getting close to retirement who want to accumulate wealth through index based investing while protecting their principal and the need of retirees and pre-retirees to have a way to deaccumulate their wealth into income for life. A traditional brokerage based equity bond portfolio can’t really meet these unique needs, but a fixed index annuity can as part of holistic financial plan. Finally, there is a scarcity value to what we do: that is originating billions of dollars of annuity funding each year at scale from the IMO channel, which is generally longer term funding than that achieved through sales in the bank and broker dealer channel.

We will continue to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. AEL 2.0 is designed to capitalize on the scarcity value of our annuity origination and couple it with an “open architecture” investment management platform for investing the annuity assets. Our approach to investment management is to partner with best in class investment management firms across a wide array of asset classes and capture part of the asset management value chain economics for our shareholders. This will enable us to operate at the intersection of both asset management and insurance. Our updated strategy focuses on four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities.

The Go-to-Market pillar focuses on how we generate long-term client assets, referred to as policyholder funds under management, through annuity product sales. We consider our marketing capabilities and franchise to be one of our core competitive strengths. The liabilities we originate can result in stable, long-term attractive funding, which is invested to earn a spread and return over the prudent level of risk capital. American Equity Life has become one of the leading insurance companies in the IMO distribution channel over our 25-year history and can tap into a core set of loyal independent producers to originate new annuity product sales. We are focused on growing our loyal producers with one million dollars or greater of annuity product sales each year and to otherwise build our partnerships with key IMOs. We plan to increase our share of annuity product sales generated by IMOs and accelerate our expansion into bank, broker dealer and registered investment advisor distribution through our subsidiary, Eagle Life. Our strategy is to improve sales execution and enhance producer loyalty with product solutions, focused marketing campaigns, distribution analytics to enhance both sales productivity and producer engagement and new client engagement models that complement traditional physical face-to-face interactions. We plan to increase our reinsurable sales, continue to enhance our flexibility to adjust to market changes quickly, expand our product suite, and grow our ability to sell registered products. We also see potential long-term opportunities in international markets.

The Investment Management pillar is focused on generating a strong return on assets which, in turn, will generate adequate spread income to support our liabilities, operations, and profitability. Our investment strategy is to supplement our core fixed income investment portfolio with opportunistic investments in alpha-producing specialty sub-sectors like middle market credit and sectors with contractually strong cash flows like real estate and infrastructure, including private equity assets. We execute on this strategy by forming partnerships with certain asset managers that will provide access to specific asset sectors, resulting in a sustainable supply of quality private investments, in addition to traditional fixed income securities. The partnerships with asset managers may include us taking an equity interest in the asset manager to create greater alignment or forming an alternate economic sharing arrangement so we benefit as our partners scale their platforms with third party assets under management, as we have begun to do.

The Capital Structure pillar is focused on greater use of reinsurance structuring to both optimize asset allocation for our balance sheet and enable American Equity Life to free up capital and become a capital-light company over time. The use of reinsurance will enable us to achieve three business outcomes over time: first, free up capital to potentially return to shareholders, second, redeploy capital into higher yielding alpha generating assets to grow investment income relative to new money yields in a traditional core fixed income portfolio and third, successfully demonstrating the first two outcomes will allow us to raise third-party capital into reinsurance vehicles ("side-cars") to provide risk capital to back a portion of our existing liabilities and future sales of annuity products. This will enable us to convert from an investment spread business with our own capital at risk into a combination spread based and fee based business with externally sourced risk capital. In combination, these three outcomes are likely to generate sustained, deployable capital for shareholders and significant accretion in return on equity (“ROE”) over time. We also see potential long-term opportunities in reinsurance support to other insurers and outside the U.S..

The Foundational Capabilities pillar is focused on upgrading our operating platform to enhance the digital customer experience, create differentiation through data analytics to support the first three pillars, enhance core technology and align talent. We have maintained high quality personal service as one of our highest priorities since our inception and continue to strive for an unprecedented level of timely and accurate service to both our agents and policyholders. Examples of our high quality service include a live person answering phone calls and issuing policies within 24 hours of receiving the application if the paperwork is in good order. We believe high quality service is one of our strongest competitive advantages and the foundational capabilities pillar will look to continue to enhance our high quality service.

The combination of differentiated investment strategies and increased capital efficiency improves annuity product competitiveness, thereby enhancing new business growth potential and further strengthening the operating platform. This completes the virtuous cycle of the AEL 2.0 business model, having started with a strong, at scale annuity originator, that is even further strengthened by the power of the investments and capital structure pillars.

During 2022, we continued to advance our AEL 2.0 strategy as we executed against the four key pillars. Key areas of advancement included the following:

- In our Investment Management pillar, we originated $5 billion of privately sourced assets at an expected return greater than 6% and expanded our primary focus from residential real estate in 2021 to a more diversified portfolio in 2022 covering a variety of sectors, including infrastructure, middle market credit and commercial real estate equity. Across sectors, we will continue to be disciplined and deliberate, focusing on underlying assets with resilient cash flows where the majority of the return is largely delivered by underlying operating performance and where there is an advantage for an insurance balance sheet to own the assets. In addition, with fixed income spreads widening throughout most of the year, we seized this additional optionality to increase exposure in core fixed income while being more selective in our private asset strategy.

- In our Go-To-Market pillar, we substantially revamped our pricing procedures, affording us optionality to re-price product quickly as markets change. Historically, we have repriced new products once or twice per year. Due to the changes we have made to improve these processes, we successfully delivered in excess of 50 product and rate changes during 2022. Our pricing has become more nimble, targeted and responsive to market changes which is important to generate growing sales while maintaining attractive double-digit internal rates of return (IRRs) on total sales volumes. We also refreshed our distribution incentive and loyalty programs and continue to assess ways to further differentiate our service offerings to producers, building on our number one ranking for customer satisfaction for annuity producers by J.D. Powers and Associates.

- In our Capital Structure pillar, we achieved $9.6 billion of fee generating reinsured balances and generated over $50 million in revenues in 2022. This included new business ceded during the year of $1.3 billion to Brookfield and $3.8 billion of in-force to AeBe ISA LTD ("AeBe"), which is affiliated with 26North Holdings LP ("26North") effective October 3rd. Additionally, the new reinsurance agreement with AeBe resulted in a capital release of approximately $260 million to fund the growth in excess capital that supports the continued migration to privately sourced assets and capital return to shareholders. See *Note 8 - Reinsurance and Policy Provisions* for more information.

- In our Foundational Capabilities pillar, we continued to invest in enhancing our foundational capabilities by implementing new investment accounting and investment management systems. We are also in process of implementing a new general ledger system.

Products

Annuities offer our policyholders a tax-deferred means of accumulating retirement savings, as well as a reliable source of income during the payout period. When our policyholders deposit cash for an annuity, we account for these receipts as policy benefit reserves in the liability section of our consolidated balance sheet. The annuity deposits collected, by product type, during the three most recent fiscal years are as follows:

	Year Ended December 31,					
	2022		2021		2020	
Product Type	**Deposits Collected**	**Deposits as a % of Total**	**Deposits Collected**	**Deposits as a % of Total**	**Deposits Collected**	**Deposits as a % of Total**
	(Dollars in thousands)					
Fixed index annuities	$ 3,171,420	95 %	$ 3,450,547	58 %	$ 2,337,578	64 %
Annual reset fixed rate annuities	5,709	— %	6,483	— %	8,225	— %
Multi-year fixed rate annuities	139,092	4 %	2,452,994	41 %	1,303,133	35 %
Single premium immediate annuities	18,935	1 %	59,816	1 %	33,461	1 %
	$ 3,335,156	100 %	$ 5,969,840	100 %	$ 3,682,397	100 %

Fixed Index Annuities

Fixed index annuities allow policyholders to earn index credits based on the performance of a particular index without the risk of loss of their account value. Most of these products allow policyholders to transfer funds once a year among several different crediting strategies, including one or more index based strategies and a traditional fixed rate strategy. Bonus products represented 63%, 65% and 75% of our net annuity account values at December 31, 2022, 2021 and 2020, respectively. The initial annuity deposit on these policies is increased at issuance by a specified premium bonus ranging from 5% to 10%. Generally, the surrender charge and bonus vesting provisions of our policies are structured such that we have comparable protection from early termination between bonus and non-bonus products.

The annuity contract value is equal to the sum of premiums paid, premium bonuses and interest credited ("index credits" for funds allocated to an index based strategy), which is based upon an overall limit (or "cap") or a percentage (the "participation rate") of the appreciation (based in certain situations on monthly averages or monthly point-to-point calculations) in a recognized index or benchmark. Caps and participation rates limit the amount of interest the policyholder may earn in any one contract year and may be adjusted by us annually subject to stated minimums. Caps generally range from 1% to 14% and participation rates range from 10% to 180%. In addition, some products have a spread or "asset fee" generally ranging from 1% to 5.25%, which is deducted from interest to be credited. For products with asset fees, if the appreciation in the index does not exceed the asset fee, the policyholder's index credit is zero. The minimum guaranteed surrender values are equal to no less than 87.5% of the premium collected plus interest credited at an annual rate ranging from 0.5% to 3%.

The initial caps and participation rates are largely a function of the cost of the call options we purchase to fund the index credits, the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to caps and participation rates, we take into account the cost of the call options we purchase to fund the index credits, yield on our investment portfolio, annuity surrender and withdrawal assumptions and crediting rate history for particular groups of annuity policies with similar characteristics.

Fixed Rate Annuities

Fixed rate deferred annuities include annual, multi-year rate guaranteed products ("MYGAs") and single premium deferred annuities ("SPDAs") . Our annual reset fixed rate annuities have an annual interest rate (the "crediting rate") that is guaranteed for the first policy year. After the first policy year, we have the discretionary ability to change the crediting rate once annually to any rate at or above a guaranteed minimum rate. Our MYGAs and SPDAs are similar to our annual reset products except that the initial crediting rate on MYGAs is guaranteed for up to seven years before it may be changed at our discretion while the initial crediting rate on SPDAs is guaranteed for either three or five years. The minimum guaranteed rate on our annual reset fixed rate deferred annuities ranges from 1.00% to 4.00%, the initial guaranteed rate on our multi-year rate guaranteed deferred annuities and SPDAs range from 1.40% to 5.25%.

The initial crediting rate is largely a function of the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to crediting rates, we take into account the yield on our investment portfolio, experience factors and crediting rate history for particular groups of annuity policies with similar characteristics. As of December 31, 2022, crediting rates on our outstanding fixed rate deferred annuities generally ranged from 1.0% to 5.25%. The average crediting rates on our outstanding annual reset and multi-year rate guaranteed fixed rate deferred annuities at December 31, 2022 were 1.61% and 2.38%, respectively.

We also sell single premium immediate annuities ("SPIAs"). Our SPIAs provide a series of periodic payments for a fixed period of time or for life, according to the policyholder's choice at the time of issue. The amounts, frequency and length of time of the payments are fixed at the outset of the annuity contract. SPIAs are often purchased by persons at or near retirement age who desire a steady stream of payments over a future period of years.

Withdrawal Options - Fixed Index and Fixed Rate Annuities

Policyholders are typically permitted penalty-free withdrawals up to 10% of the contract value in each year after the first year, subject to limitations. Withdrawals in excess of allowable penalty-free amounts are assessed a surrender charge during a penalty period which ranges from 5 to 17 years for fixed index annuities and 3 to 15 years for fixed rate annuities from the date the policy is issued. This surrender charge initially ranges from 5% to 20% for fixed index annuities and 8% to 20% for fixed rate annuities of the contract value and generally decreases by approximately one-half to two percentage points per year during the surrender charge period. For certain policies, the premium bonus is considered in the establishment of the surrender charge percentages. For other policies, there is a vesting schedule ranging from 9 to 14 years that applies to the premium bonus and any interest earned on that premium bonus. Surrender charges and bonus vesting are set at levels aimed at protecting us from loss on early terminations and reducing the likelihood of policyholders terminating their policies during periods of increasing interest rates. This practice enhances our ability to maintain profitability on such policies. Policyholders may elect to take the proceeds of the annuity either in a single payment or in a series of payments for life, for a fixed number of years or a combination of these payment options.

Information on surrender charge protection and net account values are as follows:

	December 31,		
	2022	2021	2020
		(Dollars in thousands)	
Annuity Surrender Charges:			
Average years at issue	11.6	11.8	12.4
Average years remaining	4.6	5.5	6.1
Average surrender charge percentage remaining	7.9 %	9.1 %	9.9 %
Annuity Account Value (net of coinsurance)	$ 47,504,615	$ 53,191,277	$ 54,056,725

A significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities have been issued with a lifetime income benefit rider. This rider provides an additional liquidity option to policyholders. With the lifetime income benefit rider, a policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value. The amount of the lifetime income benefit available is determined by the growth in the policy's income account value and the policyholder's age at the time the policyholder elects to begin receiving lifetime income benefit payments. The growth in the policy's income account value is based on the growth rate specified in the policy which ranges from 3.0% to 9.25% and the time period over which that growth rate is applied which ranges from 5 to 20 years for the majority of these policies. Generally, the time period consists of an initial period of up to 10 years and the policyholder has the option to elect to continue the time period for an additional period of up to 10 years. We have the option to either increase the rider fee or decrease the specified growth rate, depending on the specifics of the policy, at the time the policyholder elects to continue the time period. Lifetime income benefit payments may be stopped and restarted at the election of the policyholder. Policyholders have the choice of selecting a rider with a base level of benefit for no explicit fee or paying a fee for a rider that has a higher level of benefits, and since 2013 we have issued products where the addition of a rider to the policy is completely optional. Rider fees range from 0.15% to 1.60% of either the policy's account value or the policy's income account value. The additional value to the policyholder provided by these riders through the lifetime income benefit base is not transferable to other contracts, and we believe the riders will improve the persistency of the contract.

Investments/Spread Management

Investment activities are an integral part of our business, and net investment income is a significant component of our total revenues. Profitability of our annuity products is significantly affected by spreads between interest yields on investments, the cost of options to fund the index credits on our fixed index annuities and rates credited on our fixed rate annuities and the fixed rate strategy in our fixed index annuities. We manage the index-based risk component of our fixed index annuities by purchasing call options on the applicable indices to fund the index credits on these annuities and by adjusting the caps, participation rates and asset fees on policy anniversary dates to reflect the change in the cost of such options which varies based on market conditions. All options are purchased on the respective policy anniversary dates, and new options are purchased on each of the anniversary dates to fund the next index credits. All credited rates on annual reset fixed rate deferred annuities and the fixed rate strategy in fixed index annuities may be changed annually, subject to minimum guarantees. Changes in caps, participation rates and asset fees on fixed index annuities and crediting rates on fixed rate and fixed index annuities may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition and other factors, including the potential for increases in surrenders and withdrawals, may limit our ability to adjust or to maintain caps, participation rates, asset fees and crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

For additional information regarding the composition of our investment portfolio and our interest rate risk management, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Investments, Quantitative and Qualitative Disclosures About Market Risk and *Note 3 - Investments* to our audited consolidated financial statements.

Marketing/Distribution

We market our products through a variable cost distribution network, including independent agents through IMOs, broker/dealers, banks and registered investment advisors. We emphasize high quality service to our agents, distribution partners and policyholders along with the prompt payment of commissions to our agents and distribution partners. We believe this has been significant in building excellent relationships with our distribution network.

Our independent agents and agencies range in profile from national sales organizations to personal producing general agents. A value proposition that we emphasize with agents is they have direct access to our senior leadership, giving us an edge over larger and foreign-owned competitors. We also emphasize our products, service and our focused fixed annuity expertise. We also have favorable relationships with our IMOs, which have enabled us to efficiently sell through an expanded number of independent agents.

The independent agent distribution system is comprised of insurance brokers and marketing organizations. We are pursuing a strategy to increase the efficiency of our independent agent distribution network by strengthening our relationships with key IMOs and are alert for opportunities to establish relationships with organizations not presently associated with us. These organizations typically recruit agents for us by advertising our products and our commission structure through direct mail advertising or seminars for insurance agents and brokers. We monitor agent activity and will terminate those who have not produced business for us in recent periods and are unlikely to sell our products in the future. The IMOs bear most of the cost incurred in marketing our products. We compensate marketing organizations by paying them a percentage of the commissions earned on new annuity policy sales generated by the agents recruited by such organizations. American Equity Life has relationships with 50 national marketing organizations, through which nearly 28,638 independent agents are under contract. We generally do not enter into exclusive arrangements with these marketing organizations.

Agents contracted with us through four national marketing organizations accounted for approximately 58% of the annuity deposits and insurance premiums collected during 2022, and we expect these organizations to continue as marketers for American Equity Life with a focus on selling our products. The states with the largest share of direct premium collected during 2022 were: Florida (8.5%), Texas (8.2%), California (4.9%), Illinois (4.9%), and Pennsylvania (4.9%).

Eagle Life's fixed index and fixed rate annuities are distributed pursuant to selling agreements with broker/dealers, banks and registered investment advisors. Eagle Life has 102 broker-dealer/firm selling agreements, through which nearly 12,050 representatives are appointed. Twenty-six of these agreements are with broker/dealers affiliated with banks. Relationships with certain of these firms are facilitated by third party wholesalers who promote Eagle Life and are compensated based upon the sales of the firms they have contracted with Eagle Life. We have been developing our employee wholesaling force, which will be a key to our success at Eagle Life. Beginning in 2020, the majority of our third-party wholesaling partners no longer market Eagle Life products to new accounts as new account acquisition is handled almost entirely on an internal basis. American Equity Life to a lesser extent also sells through broker/dealers and we have introduced products specifically for this distribution channel.

Competition and Ratings

We operate in a highly competitive industry. Our annuity products compete with fixed index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank products and other investment and retirement funding alternatives offered by asset managers, banks, and broker/dealers. Our insurance products compete with products of other insurance companies, financial intermediaries and other institutions based on a number of features, including crediting rates, index options, policy terms and conditions, service provided to distribution channels and policyholders, ratings, reputation and distributor compensation.

The sales agents for our products use the ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market. The degree to which ratings adjustments have affected and will affect our sales and persistency is unknown. Following is a summary of American Equity Life's financial strength ratings:

	Financial Strength Rating	Outlook Statement
A.M. Best Company, Inc.		
January 2011 - current	A-	Stable
S&P Global		
August 2020 - current	A-	Stable
March 2020 - August 2020	A-	Negative
August 2015 - March 2020	A-	Stable
June 2013 - August 2015	BBB+	Positive
October 2011 - June 2013	BBB+	Stable
Fitch Ratings Ltd.		
April 2021 - current	A-	Stable
April 2020 - April 2021	A-	Negative
August 2019 - April 2020	A-	Stable
September 2018 - August 2019	BBB+	Positive
May 2013 - September 2018	BBB+	Stable

Financial strength ratings generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. Generally, rating agencies base their ratings upon information furnished to them by the insurer and upon their own investigations, studies and assumptions. Ratings are based upon factors of concern to policyholders, agents and intermediaries and are not directed toward the protection of investors and are not recommendations to buy, sell or hold securities.

In addition to the financial strength ratings, rating agencies use an "outlook statement" to indicate a medium or long-term trend which, if continued, may lead to a rating change. A positive outlook indicates a rating may be raised and a negative outlook indicates a rating may be lowered. A stable outlook is assigned when ratings are not likely to be changed. Outlook statements should not be confused with expected stability of the insurer's financial or economic performance. A rating may have a "stable" outlook to indicate that the rating is not expected to change, but a "stable" outlook does not preclude a rating agency from changing a rating at any time without notice.

In November 2022, A.M. Best maintained its rating outlook on the U.S. life/annuity sector as ‘stable’, reflecting its view of high levels of capitalization and favorable earnings, strong liquidity profiles, improved risk management practices including product de-risking and regular stress testing, and pricing discipline. In December 2022, Fitch maintained its rating outlook on the U.S. life insurance sector as 'stable', reflecting the anticipated benefit from the material uptick in interest rates over the past year, somewhat offset by continued macroeconomic volatility and an expected mild recession during 2023. In January 2023, S&P affirmed its rating outlook on the U.S. life insurance sector as 'stable', reflecting its expectation that conflicting forces, such as higher interest rates, lower equity markets, and a potential recession, will likely balance each other out without a significant positive impact on life insurers' credit quality.

A.M. Best financial strength ratings currently range from "A++" (superior) to "F" (in liquidation), and include 16 separate ratings categories. Within these categories, "A++" (superior) and "A+" (superior) are the highest, followed by "A" (excellent) and "A-" (excellent) then followed by "B++" (good) and "B+" (good). Publications of A.M. Best indicate that the "A-" rating is assigned to those companies that, in A.M. Best's opinion, have demonstrated an excellent ability to meet their ongoing obligations to policyholders.

S&P financial strength ratings currently range from "AAA" (extremely strong) to "R" (under regulatory supervision), and include 21 separate ratings categories, while "NR" indicates that S&P has no opinion about the insurer's financial strength. Within these categories, "AAA" and "AA" are the highest, followed by "A" and "BBB". Publications of S&P indicate that an insurer rated "A-" is regarded as having strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are higher rated insurers.

Fitch financial strength ratings currently range from "AAA" (exceptionally strong) to "C" (distressed). Ratings of "BBB-" and higher are considered to be "secure," and those of "BB+" and lower are considered to be "vulnerable."

A.M. Best, S&P and Fitch review their ratings of insurance companies from time to time. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if, in their judgment, circumstances so warrant. If our ratings were to be negatively adjusted for any reason, we could experience a material decline in the sales of our products and the persistency of our existing business, as well as an increase in the cost of debt or equity financing.

Reinsurance

We follow the industry practice of reinsuring a portion of our annuity risks with third party reinsurers. Our reinsurance agreements play a part in managing our regulatory capital, risk and returns.

Coinsurance

American Equity Life has three coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. Athene has received a financial strength rating of "A" (Excellent) with a stable outlook from A.M. Best.

American Equity Life has two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. EquiTrust has received a financial strength rating of "B++" (Good) with a stable outlook from A.M. Best.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (“North End Re reinsurance treaty”), a wholly owned subsidiary of Brookfield Reinsurance to reinsure certain in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinsurance (“modco”) basis and 30% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in trusts with American Equity Life as the beneficiary. The liabilities reinsured on a modco basis are secured by assets held by American Equity Life in a segregated modco account. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment partially contingent on certain performance obligations for both parties.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinsurance basis to North End Re. Effective July 1, 2022, the North End Re reinsurance treaty was amended to include additional fixed index annuity products. As part of this amendment, 75% of an additional block of in-force fixed indexed annuity product liabilities issued after July 1, 2021 was ceded, 70% on a modco basis and 30% on a coinsurance basis. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment being contingent on certain performance obligations for both parties.

Although American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re, should North End Re fail to meet the obligations it has reinsured the assets in the trusts and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and modco account are subject to investment management agreements between American Equity Life and North End Re.

Effective October 1, 2022 American Equity Life entered into a reinsurance agreement with an unaffiliated reinsurer AeBe ISA LTD (“AeBe”), a Bermuda exempted company affiliated with 26North Holdings LP (“26North”), that is an incorporated segregated account licensed as a Class E reinsurer. Under the agreement, American Equity Life ceded $4.3 billion of certain in-force fixed indexed and fixed rate annuity product liabilities and has the option in the future to cede liabilities of certain single premium fixed deferred annuities, or policies as otherwise agreed to by parties issued after the treaty effective date, at risk adjusted pricing terms that may be acceptable to American Equity Life at that time. Under the agreement, these liabilities will be ceded 75% on a funds withheld coinsurance basis and 25% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in both a statutory and supplemental trust (collectively referred to as the “trusts”). The liabilities reinsured on a funds withheld basis are secured by a segregated funds withheld account in which the assets are maintained by American Equity Life. American Equity Life transferred cash and investments with a fair value of $3.0 billion to the segregated funds withheld account and $1.0 billion to the statutory trust at close of this reinsurance agreement on October 3, 2022. At the close of the reinsurance agreement, American Equity Life received a closing ceding commission of $70 million. For flow business ceded, American Equity Life will receive an annual ceding commission over the term of the policy of up to 0.50% of the premium received.

American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to AeBe should AeBe fail to meet the obligations it has reinsured. The assets in the trusts and funds withheld account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and funds withheld account are subject to investment management agreements between American Equity Life and 26North.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Vermont Inc., a wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values on a funds withheld basis ("the AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss reinsurance agreement (the "XOL treaty") with Hannover, to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement upon exhaustion of the funds withheld account balance under the AEL Re Vermont Agreement.

AEL Re Vermont is permitted to carry the XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The XOL treaty does not satisfy risk transfer and is treated as a financing agreement. The associated charges are recorded as risk charges that are included in other operating costs and expenses in the consolidated statements of operations.

Effective December 31, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Bermuda, an affiliated Bermuda reinsurer wholly owned by American Equity Investment Life Holding Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007 on a funds withheld basis.

The impact of all intercompany reinsurance agreements and related intercompany balances have been eliminated in the preparation of the accompanying consolidated financial statements.

For more information regarding reinsurance, see *Note 8 - Reinsurance and Policy Provisions* to our audited consolidated financial statements. For risks involving reinsurance see "Item 1A. Risk Factors."

Regulation

General Scope of Insurance Regulation

Life insurance companies are subject to regulation and supervision by the states in which they transact business. State insurance laws establish supervisory agencies with broad regulatory authority, including the power to:

- grant and revoke licenses to transact business;
- regulate and supervise trade practices and market conduct;
- establish guaranty associations;
- license agents;
- approve policy forms;
- approve premium rates for some lines of business;
- establish reserve requirements;
- prescribe the form and content of required financial statements and reports;
- determine the reasonableness and adequacy of statutory capital and surplus;
- perform financial, market conduct and other examinations;
- define acceptable accounting principles for statutory reporting;
- regulate the type and amount of permitted investments;
- establish requirements for reinsurance credit;
- prescribe the terms of agreements between or among affiliates;
- approve changes in direct or indirect ownership above certain thresholds;
- review corporate governance practices; and
- limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval.

Our life subsidiaries are subject to periodic examinations by state regulatory authorities. In 2020, the Iowa Insurance Division completed financial examinations of American Equity Life and Eagle Life for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life's or Eagle Life's statutory financial statements as a result of these examinations. In 2020, the New York Department of Financial Services completed its financial examination of American Equity Life of New York for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life of New York's statutory financial statements as a result of this examination.

State regulators also review matters related to us and our life subsidiaries in connection with requests for regulatory approval of transactions, including our successful applications for a variety of reinsurance arrangements and from transactions among us and our affiliates for intra-enterprise services and allocation of tax costs.

We established captive reinsurers in Vermont and in Bermuda in 2021, which required the approval of regulators in those jurisdictions and initiated our regulation by those authorities. Iowa regulators also approved the related reinsurance arrangements. Bermuda regulations address matters such as fitness and adequate knowledge and expertise to engage in insurance, and impose solvency, auditing, reporting, and governance requirements.

Dividends, Distributions, and Transactions Among Affiliates

The payment of dividends or distributions, including surplus note payments, by our life subsidiaries is subject to regulation by each subsidiary's state of domicile's insurance department. Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's statutory net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory surplus at the prior year-end. For 2023, up to $369.3 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. American Equity Life had $2.0 billion of statutory earned surplus at December 31, 2022.

Most states have also enacted regulations on the activities of insurance holding company systems, including acquisitions, extraordinary dividends, the terms of surplus notes, the terms of affiliate transactions, corporate governance, risk management, and other related matters. We are registered pursuant to such legislation in Iowa. A number of state legislatures have also considered or have enacted legislative proposals that alter and, in many cases, increase the authority of state agencies to regulate insurance companies and holding company systems.

Acquisition and Exercise of Control

Most states, including Iowa and New York where our life subsidiaries are domiciled, have enacted legislation or adopted administrative regulations affecting the acquisition of control of insurance companies as well as transactions between insurance companies and persons controlling them. The nature and extent of such legislation and regulations currently in effect vary from state to state. However, most states require administrative approval of the direct or indirect acquisition of 10% or more of the outstanding voting securities of an insurance company incorporated in the state. The acquisition of 10% of such securities is generally deemed to be the acquisition of "control" for the purpose of the holding company statutes and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also administrative approval prior to the acquisition. In many states, the insurance authority may find that "control" in fact does not exist in circumstances in which a person owns or controls more than 10% of the voting securities. In 2021, Brookfield Reinsurance received Iowa and New York regulatory approval to increase its ownership of our common stock, and chose to increase its ownership to 16%.

Risk-Based Capital Requirements

The National Association of Insurance Commissioners ("NAIC") risk-based capital ("RBC") requirements are intended as an early warning tool for regulators to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. The RBC formula defines a minimum capital standard which supplements low, fixed minimum capital and surplus requirements previously implemented on a state-by-state basis. Such requirements are not designed as a ranking mechanism for adequately capitalized companies.

The NAIC's RBC requirements provide for four levels of regulatory attention depending on the ratio of a company's total adjusted capital to its RBC. Adjusted capital is defined as the total of statutory capital and surplus, adjusted for certain items including the asset valuation reserve. Calculations using the NAIC formula at December 31, 2022, indicated that American Equity Life's ratio of total adjusted capital to the highest level at which regulatory action might be initiated was 415%.

Reserves Adequacy

Our life subsidiaries, and our affiliated captive reinsurers, must annually analyze their statutory reserves adequacy. In each case, a qualified actuary must submit an opinion that states that the statutory reserves make adequate provision, according to accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the subsidiary. The actuary considers the adequacy of the statutory reserves in light of the assets held by the insurer with respect to such reserves and related actuarial items, such as the investment earnings on such assets and the consideration the insurer anticipates receiving and retaining under the related policies and contracts. We may increase reserves in order to submit such an opinion without qualification. Our subsidiaries that must provide these opinions did so in 2022 without qualifications.

Investments Regulation

State laws and regulations limit the amount of investments that our U.S. insurance subsidiaries may have in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives, and require diversification of investment portfolios. Investments exceeding regulatory limitations may not qualify as reserve assets and may potentially be excluded from admitted assets for purposes of measuring surplus. The Iowa Insurance Division has proposed changes to Iowa law on admitted assets to conform Iowa law more closely to NAIC models in some respects. For example, it would change the amount of some assets an insurer could include as admitted. If the legislature enacts these changes, we would review and reconfigure our investments in light of the new requirements and the challenges and opportunities they pose.

Derivatives Regulation

We use derivatives, primarily call options, to provide the income needed to fund the annual index credits on our fixed index annuity products. We may also use derivatives to hedge interest rate, foreign currency and additional equity market exposure. As such, we and our counterparties are subject to Dodd-Frank Act regulation of collateral posting, clearing, and reporting of over-the-counter derivatives transactions.

Financial Strength Ratings

Financial strength ratings issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's") are measures of an insurance company's ability to meet policyholder obligations and generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. While not enforced by law, ratings are based upon factors of concern to agents, policyholders and intermediaries and strongly influence an insurer's competitiveness. Factors that could negatively influence financial strength ratings include:

- Sustained reductions in new sales of insurance products;
- Unfavorable operational and/or financial trends;
- Significant losses and/or ratings deterioration in our investment portfolio;
- Changes in equity market levels, interest rates, and market volatility;
- Inability to access capital markets to provide reserve relief;
- Changes in statutory accounting or reserve requirements applicable to our insurance subsidiaries;
- Inability to sustain senior management or other key personnel;
- Rapid or excessive growth; and
- Ineffective enterprise risk management.

Long-Duration Targeted Improvements

The Financial Accounting Standards Board ("FASB") has revised aspects of the measurement models and disclosure requirements for long duration insurance and investment contracts. The revisions include updating cash flow assumptions in the calculation of the liability for traditional life products, introducing the term 'market risk benefit' ("MRB") and requiring all contract features meeting the definition of an MRB to be measured at fair value and simplifying the method used to amortize deferred policy acquisition costs and deferred sales inducements to a constant basis over the expected term of the related contracts rather than based on actual and estimated gross profits and enhancing disclosure requirements. While this revised guidance is effective for us on January 1, 2023, the transition date (the remeasurement date) is January 1, 2021. Early adoption is permitted. See *Note 1 - Significant Accounting Policies* for further discussion on the impact of this guidance.

Privacy and Cybersecurity

Various U.S. federal and state government agencies protect the privacy and security of personal information. These laws and rules vary significantly from jurisdiction to jurisdiction. Insurance and other regulators are also increasingly focused on cybersecurity. The NAIC's Insurance Data Security Model Law (the "Cybersecurity Model Law") established standards for data security and for the investigation of and notification to insurance commissioners of cybersecurity events involving unauthorized access to, or the misuse of, certain nonpublic information. The Cybersecurity Model Law imposes regulatory requirements intended to protect the confidentiality, integrity, and availability of information systems. Recent regulations with a significant impact on our operations include the New York Department of Financial Services cybersecurity requirements for financial services companies and the California Consumer Privacy Act. The California Consumer Privacy Act contains protections for individuals, such as notification requirements for data breaches, the right to access personal data and the right to be forgotten. The SEC has proposed new cybersecurity disclosure rules for public companies. Under the proposed rule, registrants would have to disclose information about material cybersecurity incidents on a Current Report on Form 8-K within four days of concluding that the incident is material, and update that disclosure as its analysis and response to the incident progresses. Registrants would also have to disclose aspects of cybersecurity risk management annually, including governance processes and Board and management responsibilities, and director cybersecurity expertise.

ERISA

We provide products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Code of 1986, as amended (the "Code"). ERISA and the Code impose restrictions, including fiduciary duties to perform solely in the interests of ERISA plan participants and beneficiaries, and to avoid certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the U.S. Department of Labor ("DOL"), the Internal Revenue Service ("IRS") and the Pension Benefit Guaranty Corporation.

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen, unless an exemption or exception is available. Similarly, without an exemption or exception, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts, as well as insurance policies and annuity contracts we may sell in the future.

Heightened standards of conduct as a result of a fiduciary or best interest standard or other similar rules or regulations could increase the compliance and regulatory burdens on our sales representatives. On February 16, 2021, the DOL's new fiduciary regulation and interpretative guidance regarding the provision of investment advice in retirement accounts became effective. The DOL's final guidance confirms the restatement of the definition of "investment advice" that previously applied but broadens the circumstances under which sales representatives could be considered fiduciaries under ERISA in connection with recommendations to "rollover" assets from a qualified retirement plan to an individual retirement account. This guidance reverses an earlier DOL interpretation suggesting that "rollover" advice did not constitute investment advice giving rise to a fiduciary relationship. We have adapted our business practices accordingly, and continue to adapt them as regulatory requirements evolve.

Broker-Dealer and Securities Product Regulation

One of our subsidiaries is registered with the SEC as a broker-dealer under the Exchange Act and a member of, and subject to regulation by, FINRA. In addition, we may offer products regulated as securities. In each case, we will be subject to scrutiny from federal and state securities regulatory authorities and FINRA. Any of these may, from time to time, make inquiries and conduct examinations regarding compliance with securities and other laws and regulations.

Pandemic and Public Health Related Conditions and Regulation

The outbreak of COVID-19 and related conditions has created significant economic and financial turmoil both in the U.S. and around the world. Government, regulatory, business, and social reactions to COVID-19 also have significant effects on our business and the conditions in which we operate. For example, governments have imposed vaccination requirements, lock-downs, travel limitations, school closures, and other requirements. All of these conditions have disrupted distribution channels through which we sell our products, including independent agents and their clients. They have, and may continue to, depress economic activity that affects demands for our products. They may also materially affect our investment portfolio.

Guaranty Laws

Our life subsidiaries also may be required, under the solvency or guaranty laws of most states in which they do business, to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's financial strength and, in certain instances, may be offset against future premium taxes.

Environmental Laws and Regulations

We are subject to environmental laws and regulations as an owner and operator of real property, which can include liabilities and costs in connection with any required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We assess real estate we acquire for environmental exposure, but unexpected environmental liabilities may arise.

Side Car Related Regulation

As we continue to develop and implement third-party capital reinsurance, such as “side cars,” we expect to manage additional related regulatory requirements in areas such as employment and labor, governance, reinsurance, securities, investment advising, and tax. We expect the scope of these requirements and our management strategies to be clearer as our planning and execution continue to progress.

Other State and NAIC Regulatory Developments

State insurance regulators and the NAIC are continually reexamining existing laws and regulations and developing new legislation for passage by state legislatures and new regulations for adoption by insurance authorities. Proposed laws and regulations or those still under development pertain to insurer solvency and market conduct and in recent years have focused on:

- insurance company investments;
- RBC guidelines, which consist of regulatory targeted surplus levels based on the relationship of statutory capital and surplus, with prescribed adjustments, to the sum of stated percentages of each element of a specified list of company risk exposures;
- suitability/best interest standard;
- the implementation of non-statutory guidelines and the circumstances under which dividends may be paid;
- principles-based reserving;
- own-risk solvency and enterprise risk management assessment;
- cybersecurity assessments;
- product approvals;
- agent licensing;
- sales practices; and
- algorithmic underwriting.

In addition, the NAIC is reviewing how insurers’ varieties of affiliate agreements, holding company structures, and forms of public or private ownership may affect insurers’ financial stability.

Other U.S. Federal Initiatives

Historically, the federal government has not directly regulated the business of insurance. However, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation can significantly affect the insurance business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act the "Dodd-Frank Act") generally provides for enhanced federal supervision of financial institutions, including insurance companies in certain circumstances, and financial activities that it deems represent a systemic risk to financial stability or the U.S. economy. A Federal Insurance Office, established under the Dodd-Frank Act, monitors aspects of the insurance industry and its authority may extend to our business, although it does not have general regulatory authority over insurers.

The U.S. amended its internal revenue code to impose a 15% “corporate alternative minimum tax” based on net income, subject to some adjustments, beginning in tax year 2023. We continue to evaluate the potential impact of this tax. The federal government has also imposed a 1% excise tax on certain repurchases of corporate stock, and has issued related interim guidance. We expect the new tax to apply to our common stock repurchases.

The SEC has proposed new climate-related disclosure rules for public companies. Among other things, the proposed rules would require registrant disclosure on (1) governance of climate-related risks; (2) climate-related impacts on strategy, business model and outlook; (3) climate-related risk management; (4) greenhouse gas ("GHG") emissions; and (5) any internal carbon price or climate-related targets and goals. Large accelerated filers, such as us, would also have to obtain attestation by an independent third party of certain of their GHG emissions metrics. The proposed rules would also require registrants to include climate-related financial statement metrics (which would consist of disaggregated climate-related impacts on existing financial statement line items) and related disclosures in a note to audited financial statements, subject to adequate internal controls and to audit by an independent registered public accounting firm. Depending on the ultimate rules the SEC adopts, the cost and other impacts of such a rule on us may be significant.

Federal Income Tax

Generally, U.S. federal tax law permits tax deferral on the inside build-up of investment value of certain retirement savings, including annuity products, until a contract distribution has occurred. In general, death benefits paid under a life insurance contract are excluded from taxation. Attractiveness of the Company's products for some individuals may depend on the enacted tax rates and the impact on the value of the deferral. Congress from time to time may enact other changes to the tax law that could make our products less attractive to consumers, including legislation that would modify the tax favored treatment of retirement savings, life insurance and annuity products.

Human Capital

Our Team Members

American Equity's growth and innovation strategy relies on our employees' capabilities and expertise. Our human capital management is crucial to our delivery on our decades- and often life-long promises to policyholders, and as we continue to transform into an at-scale origination, spread and capital light fee-based business, and to manage capital to grow as well as produce returns for shareholders. As of December 31, 2022, American Equity employed approximately 840 full-time team members. All of our employees are located in the United States, and none were covered by a collective bargaining agreement. American Equity engaged less than 100 temporary or part-time workers.

Engagement

Our culture is the foundation for our efforts to provide the best products and exemplary customer service, as well as to build an engaged and valued team. We seek to cultivate a culture of growth, innovation, and purposeful teamwork that builds off of our foundation of customer service, stewardship, product integrity, and financial strength. Our cultural beliefs focus on:

- Performing as **One Team** to foster a trusting and transparent environment to work toward common objectives.
- **Inspiring Innovation** by leaving our comfort zones daily to advance the company's goals.
- **Taking Action** to seek the best available information and deliver results.
- **Owning It** by taking responsibility for our actions and growing from our experiences.
- **Breaking Boundaries** to engage in respectful conversations that invite diverse perspectives and experiences.

Health and Safety

Our employee benefits programs support our growing workforce's evolving needs. Healthcare options for benefit-eligible employees aim to maintain affordable team member contribution and proactively promote physical and mental well-being. One measure of the caliber of our benefits in 2022 was that over 85% of our employees chose coverage through our medical plan, and similarly high levels chose dental and/or vision coverage. During 2022, the company paid an average of 84% of participating employees' monthly medical premiums. We also offered out team members a free robust virtual holistic wellness program, in which hundreds took part.

Retirement Benefits

American Equity team members are eligible to participate in our 401(k) plan after thirty days of employment and age 18. We match 100% of team member contributions to the 401(k) plan up to 3% of the employee's total eligible compensation and match 50% of employee contributions up to the next 2% of the employee's total eligible compensation, subject to the Internal Revenue Code (the "Code") limitations.

We also align employee and shareholder interests and promote team members' ownership mindset through our long-standing Employee Stock Ownership Plan ("ESOP"). We make semi-annual discretionary contributions for all employees after a minimum of six months of service, and their interests vest after two years of service.

Training

At American Equity, we encourage and invest in a wide variety of professional development opportunities and in-role stretch assignments. Our employees expanded their skills and expertise through thousands of hours of training in our Academy for Excellence and LinkedIn Learning in 2022. We also engaged employees through a wide variety of internal and external leadership and subject-matter seminars, degree, and certificate programs.

Community Action

We support and partner with a diverse range of organizations to make a positive difference where our team members live and work. In 2022, we sponsored the LGBTQ Legacy Leader Awards; Black and Brown Business Summit; Central Iowa DEI Awards Minority Scholarship; and Women Lead Change. We also took concrete local action by continuing to partner with Pro Iowa to redevelop an EPA superfund site into a multi-use facility for youth and community sports and recreation, and by offering our team members paid time to volunteer in community-building efforts.

Compensation

For more information on our executive compensation programs and how they align with our business strategy and results, see our subsequent disclosure to be filed within 120 days after December 31, 2022.

Item 1A. Risk Factors

Any or each of the events described below may (or may continue to) adversely affect our reputation, our regulatory, customer, or other relationships, our business, our net income and results of operations, our expenses, our profitability, our liquidity or cash flows, our statutory capital position, our book value and book value per share, our ability to meet our obligations, our credit and financial strength ratings, our risk-based capital ratios, our financial condition, our cost of capital, or the market price of our common stock. The effects may vary widely from time to time, product to product, market to market, region to region, or segment to segment. Many of these risks are interrelated and could occur under similar business and economic conditions, and the occurrence of any of them may cause others to emerge or worsen. Such combinations could materially increase the severity of the cumulative or separate impact of these risks.

These risk factors are not a complete set of all potential risks that could affect us. You should carefully consider the risk factors together with other information contained in this Annual Report on Form 10-K, including "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in "Financial Statements and Supplementary Data," as well as in other reports and materials we submit to the SEC.

Risks Relating to Our Business and Economic Conditions

1. Our results may differ from our management assumptions, estimates, and models.

Our financial results are based on assumptions and estimates that depend on many factors, none of which are certain. Our actual results may differ significantly from our expectations. As a result, our decisions on products and pricing, calculation of account balances within our financial statements, and the amounts of regulatory and rating agency capital we expect to need to hold may be wrong. Our estimates are based on complex analysis and interpretation of large quantities of data, involve sophisticated judgment and expertise, and are imprecise. We may change our assumptions and estimates from time to time as a result of engaging more sophisticated methods, obtaining additional information, or due to discovery of errors. Our expected pricing expenses and benefits are based on assumptions about how long a policy will remain in force and about mortality and longevity. Our actual experience may differ from our pricing assumptions. We may have to change our actuarial estimates, accelerate amortization of deferred acquisition expenses, increase our policy benefit reserves, or pay higher benefits than we projected. For example, persistency lower than our assumptions may require us to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy.

Certain financial statement balances depend on estimates and assumptions including the calculations of policyholder benefit reserves, derivatives and embedded derivatives, deferred policy acquisition costs and deferred sales inducements, the fair value of investments and valuation allowances. The calculations we use to estimate these balances are complex. We make significant assumptions such as expected index credits, the age when a policyholder may begin to utilize the lifetime income benefit rider, the number of policyholders that may not utilize the lifetime income benefit rider, expected policyholder behavior including expected lapse rates, discount rates and the expected cost of annual call options, any of which may change over time and may be inaccurate. We use judgement in making estimates and assumptions, and our accuracy depends on multiple factors, including market conditions, interest rates, credit conditions, spreads, liquidity, and observable market data. Our investment returns or cash flows may also differ from our expectations.

In addition, our risk management policies, procedures, and models may be imperfect or may not be sufficiently comprehensive. As a result, they may not identify or adequately protect us from every risk to which we are exposed.

2. Interest rate and equity market conditions could change.

Interest rate increases or decreases could harm our investment spread, or the difference between yields on our invested assets and our cost of money, the fair value of our investments and the reported value of stockholders' equity and the unrealized gain or loss position of our investment portfolio.

Rising interest rates may lead customers to surrender their policies, increasing our net cash outflows, requiring us to sell assets at a disadvantaged price and accelerating our amortization of deferred policy acquisition costs and deferred sales inducements. Our sales may decline during such times, or we may increase annuity crediting rates but be unable to generate the investment returns or spreads we desire. At other times, low interest rates may harm our ability to offer attractive rates and benefits to customers while maintaining profitability; this may reduce our fixed index annuity sales, as consumers seek potentially higher returns.

A decrease in the equity markets, a decrease in interest rates, or an increase in volatility in either, may require us to increase our reserves related to benefit guarantees. Our hedge program designed to mitigate these risks may not be entirely effective to offset the changes in the carrying value of the guarantees due to, among other things, the time lag between changes in their values and corresponding changes in the hedge positions, high levels of volatility in the equity markets and derivatives markets, extreme swings in interest rates, contract holder behavior different than expected, a strategic decision to adjust the hedging strategy in reaction to extreme market conditions or inconsistencies between economic and statutory reserving guidelines and divergence between the performance of the underlying funds and hedging indices.

3. Our investments may lose value or fail to grow as quickly as we expect due to market, credit, liquidity, concentration, default, and other risks.

Our investments and their performance, including our derivative financial instruments, are subject to credit defaults, market value volatility and changes to credit spreads. The impact of these items can be exacerbated by financial and credit market volatility. We may fail to adjust to market conditions, producing investment portfolio losses. Our portfolio diversification management by asset class, creditor, industry, and other limitations may be inadequate.

We may have to sell investments that are not publicly traded or that otherwise lack liquidity (such as privately placed fixed maturity securities, below investment grade securities, investments in mortgage loans and alternative investments) below fair market values and could incur losses. We may be unable to liquidate positions quickly to meet unexpected policyholder withdrawal obligations.

Our mortgage loans may fail to perform and borrowers may default on their obligations. Declining debt service coverage ratios and increasing loan to value ratios, poor loan performance, borrower or tenant financial difficulties, catastrophes, and other events may harm mortgage carrying values, which could lead to investment losses.

Derivatives margin requirements may increase, and we may be required to post collateral. In addition, our costs may increase due to counterparties' higher capital requirements for derivatives. We may need to liquidate higher yielding assets for cash to cover some or all of these costs.

4. Our option costs could increase.

Our cost of call options, which we use to manage the index-based risk component of our fixed index annuities, may increase due to higher equity market volatility, higher interest rates, or other market factors. We may be unable to effectively mitigate this risk by adjusting caps, participation rates, and asset fees on policy anniversary dates to reflect these increases.

5. We are exposed to counterparty credit risk.

We have counterparty credit risk with other insurance companies through reinsurance, including as that term is defined for U.S. statutory purposes.

Our efforts to mitigate these risks, such as by securing assets in trusts and requiring the reinsurer to establish a letter of credit or deposit securities in the trusts for any shortfall, may be inadequate to protect us. Where the annuity deposits we ceded are unsecured, our claims would be subordinated to those of the reinsurer's policyholders. Should our reinsurers fail to meet their obligations to us, we remain liable for the ceded policy liabilities. If we were forced to recapture reinsured business, we may have inadequate capital to do so.

We may be unable to use reinsurance to the extent and on the terms we want. As a result, we would have to accept an increase in our net liability exposure or a decrease in our statutory surplus, reduce the amount of business we write, or develop other alternatives.

We also have exposure to many other counterparties, including in the financial services industry. Many of these transactions expose us to credit risk in the event of default of our counterparty, either with respect to insufficient collateral that cannot be realized or is liquidated at prices not sufficient to recover the full amount of the related loan or derivative exposure, or in the case of default of unsecured debt instruments or derivative transactions. Our derivative counterparties may fail to perform. Our efforts to maintain quality and credit exposure concentration limits may be inadequate to mitigate this risk. Counterparties' failure to deliver on their derivative instrument obligations may impose costs on us to fund index credits on our fixed index annuities. We may be unable to enforce our counterparties' obligations to post collateral to secure their obligations to us. Among other things, a downturn in the U.S. or other economies could increase any or all of these risks.

6. The third parties on whom we rely for services may fail to perform or to comply with legal or regulatory requirements.

The third parties who perform various services for us, including sales agents, marketing organizations, investment managers, side car-related services, reinsurers, and information technologists, may fail to meet our performance expectations. Our controls to monitor their service levels and compliance with our rules and legal and regulatory standards may be inadequate.

7. Our competitors have greater resources, a broader array of products, and higher ratings, which may limit our ability to attract and retain customers or distributors.

We may be unable to compete successfully with larger companies who enjoy larger financial resources, broader and more diversified product lines, higher ratings, and more widespread agency relationships. Customers may choose fixed index, fixed rate, or variable annuities sold by other insurance companies, or choose mutual fund products, traditional bank products, and other retirement funding alternatives offered by asset managers, banks and broker/dealers. Competitors' products may have competitive or other advantages based on design, participation rates and crediting rates, policy terms and conditions, services provided to distributors and policyholders, ratings by rating agencies, reputation and distributor compensation.

We may be unable to compete successfully for product distribution sources (such as IMOs, other marketers, agents, broker/dealers, banks and registered investment advisors) based on innovative and timely products, financial strength, services provided to and the relationships developed with distributors, or competitive commission structures and timely payments. Our distributors may choose to sell others' products, and are generally free to do so. Consolidation among IMOs may increase these risks and our costs.

8. Our information technology and communication systems may fail or suffer a security breach.

We may lose access to or use of our information technology (IT) systems to accurately perform necessary business functions such as issuing new policies, providing customer support, maintaining existing policies, paying claims, managing our investment portfolios, and producing financial statements. Our efforts, policies, and processes to avoid or mitigate systems failures, fraud, cyberattacks, processing errors, and regulatory breaches may fail or prove inadequate.

We may be unable to keep the confidential information within our IT infrastructure secure or maintain adherence to privacy standards or expectations. Our complex information security controls framework that leverages multiple leading industry control standards, as well as extensive commercial control technologies we use to maintain the security of those systems, is imperfect and may fail. An attacker who circumvents our comprehensive information security controls infrastructure could access, view, misappropriate, alter, or delete information contained within the accessed systems, including personally identifiable policyholder information and proprietary business information.

Our efforts and expenses to maintain and enhance our existing systems to keep pace with changing security requirements, industry standards, and evolving customer preferences may be insufficient or misguided, impairing our ability to rely on information for product design, product pricing, and risk management decisions. Our extensive backup and recovery systems and contingency plans may not prevent system interruptions, failures, or allow us to promptly remediate those that do occur.

In addition, our systems, policies, and procedures for capturing electronic communications related to our business may fail to record and store all the information regulators require us to, or may fail to do so in the required format.

9. We may suffer a credit or financial strength downgrade.

We may fail to maintain or improve our financial strength or credit ratings, whether due to the results of operations of our subsidiaries or our financial condition.

A ratings downgrade, or the potential for a ratings downgrade, could cause distributors and sales agents to stop or reduce our product sales in favor of our competitors, could increase our policy or contract surrenders, and harm our ability to obtain reinsurance or to do so at competitive prices. A change in risk ratings of assets in our investment portfolio, such as private equity or structured assets, may require us to hold more capital.

10. We may be unable to raise additional capital to support our business and sustain our growth on favorable terms.

We may need to increase or maintain the statutory capital and surplus of our life insurance subsidiaries, or the capital of our holding company, through debt, equity, and/or other transactions. We may be unable to do so because of adverse market conditions or high cost of capital, or be able to do so only on unfavorable terms. As a result, we may have to limit sales of new annuity products. We may also agree to restrictions on other activities, transactions, or financial arrangements in order to obtain necessary capital.

11. U.S. and global capital markets and economies could deteriorate due to inflation or major public health issues, including the COVID-19 pandemic, political or social developments, or otherwise.

Economic and capital markets could suffer downturns, uncertainties, or market disruptions. For example, inflation or an economic recession, and governmental efforts to combat or avoid them, armed conflict in Europe or elsewhere and sanctions intended to address those conflicts or achieve other ends, COVID-19 and the related pandemic, and government and business efforts in reaction to them, may continue to create economic and financial turmoil, decreased economic output, unemployment, market dislocations, political uncertainties, stagnated economic growth, and other effects. These may reduce the performance, and increase the risks, of our investment portfolio. They may also prevent us from continuing normal business operations, and our measures to mitigate their effects - such as remote working and workplace safety measures - may be inadequate to limit the strain on our business continuity plans and contain operational risk, such as information technology and third-party service provider risks.

12. We may fail to authorize and pay dividends on our preferred stock.

We may fail to authorize and pay dividends on our preferred stock. Unpaid dividends would not accrue, and could result in our inability to pay or declare a dividend on our common stock or repurchase, redeem or otherwise acquire for consideration our common stock. Any such failure would also prevent us from making certain distributions to common shareholders. They may also give preferred shareholders the right to elect members of our Board of Directors or other corporate governance rights that could weaken the rights and interests of common shareholders and other stakeholders.

13. Our subsidiaries may be unable to pay dividends or make other payments to us.

Our future cash flows may be limited, as they depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our insurance subsidiaries, such as payments under our investment advisory agreements and tax allocation agreements with our subsidiaries. Without such cash flow, we may be unable to service debt we incur from time to time (including senior notes, term loans, subordinated debentures issued to a subsidiary trust, and others), pay operating expenses and pay dividends to common and preferred stockholders.

14. We may fail at reinsurance, investment management, or third-party capital arrangements.

We may be unable to source, negotiate, obtain timely regulatory approval for, and execute the reinsurance, investment management, or third-party-capital arrangements for our strategy to succeed. Our reinsurance or investment management counterparties may fail to optimally perform or to meet their obligations under our agreements with them. As a result, we may not realize our anticipated economic, strategic or other benefits of any such transaction and may incur unforeseen expenses or liabilities. Any reorganization or consolidation of the legal entities through which we conduct business may raise similar risks.

15. We may fail to prevent excessive risk-taking.

Our employees, including executives and others who manage sales, investments, products, wholesaling, underwriting, and others, may take excessive risks. Our compensation programs and practices, and our other controls, may not effectively deter excessive risk-taking or misconduct.

16. Our policies and procedures may fail to protect us from operational risks.

We may make errors or fail to detect incorrect or incomplete information in any of the large number of transactions we process through our complex customer application, suitability review, administrative, financial reporting, and accounting systems. Our controls and procedures to prevent such errors may not be effective. For example, we may fail to escheat property timely and completely, or fail to detect, deter or mitigate fraud against us or our customers. We may fail to maintain service standards or to operate efficiently or control costs. We may also suffer internal control deficiencies or disclosure control deficiencies that result in significant deficiencies or material weaknesses. In addition, we may fail to attract, motivate and retain employees, develop talent, or adequately plan for management succession.

17. We may be unable to protect our intellectual property and may face infringement claims.

We may be unable to prevent third parties from infringing on or misappropriating our intellectual property. We may incur litigation costs to enforce and protect it or to determine its scope or validity, and we may not be successful. In addition, we may be subject to claims by third parties for infringement of intellectual property, breach of license usage rights, or misappropriation of trade secrets. We may incur significant expenses for any such claims. If we are found to have infringed or misappropriated a third-party intellectual property right, we may be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain intellectual property. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement a costly alternative.

Risks Relating to Legal, Regulatory, Environment, Social, or Governance Matters

18. We may be subject to increased litigation, regulatory examinations, and tax audits.

We may become involved in increased litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. State regulatory bodies, such as state insurance departments, the SEC and the DOL may investigate our compliance with, among other things, insurance laws, securities laws and ERISA. In addition, U.S. and state authorities have and may continue to audit our compliance with tax laws.

19. Laws, regulations, accounting, and benchmarking standards may change.

Any of the myriad of insurance statutes and regulations in the various states and other jurisdictions in which our life insurance subsidiaries transact business, including those related to insurance holding companies, may change at any time with or without warning. Laws affecting our investments, such as rules on enforcing mortgage rights and rules affecting investment in rental properties, may change. Accounting standards such as those issued by the FASB, statutory accounting standards, or others may change, evolve, or be replaced. U.S. federal laws and rules, such as those related to securities or ERISA, may also change.

We may also be subject to new regulatory requirements as a result of our side car activities or new product offerings, or we may face increased scrutiny in new regulatory areas as a result of such activity, such as with respect to FINRA or investment advisor rules. Our efforts to manage such requirements and scrutiny may increase our costs or put us at a competitive disadvantage.

In addition, those with authority or influence may change their interpretation of such laws or accounting standards, or may disagree with our interpretation of them. We may be unable to adapt to any such changes or disagreements in a timely or effective manner. Tax law changes may also harm us. For example, should individual income tax rates decrease, some of the income tax advantages of our products would likewise decrease. Moreover, tax law may change or eliminate any of the income tax advantages of our products. Further, changes to the basis of U.S. income taxation (e.g., taxation of unearned gains), corporate tax rates, capital gains tax rates, and other changes, may affect us.

As we continue to transition away from using the London Interbank Offered Rate ("LIBOR") as a basis of our floating rate investments, we may face uncertainties, ambiguities, and negotiations over terms that could affect those investments or our estimates and projections.

20. Iowa or other applicable law, or our corporate governance documents or change-in-control agreements, may delay or deter takeovers or combinations.

State laws, our certificate of incorporation and by-laws, and agreements into which we have entered concerning changes in control may delay, deter or prevent a takeover attempt that stockholders might consider favorable.

21. Climate changes, or responses to it, may affect us.

Climate change may increase the frequency and severity of near- or long-term weather-related disasters, public health incidents, and pandemics, and their effects may increase over time. Climate change regulation may harm the value of investments we hold or harm our counterparties, including reinsurers. Our regulators may also increasingly focus their examinations on climate-related risks.

22. Our efforts to meet environmental, social, and governance standards and to enhance our sustainability may not meet expectations.

Our investors or others may evaluate our business practices by continually evolving and unclear environmental, social, and governance ("ESG") criteria that may reflect contrasting or conflicting values or agendas. Our practices may also not change in the particulars or at the rate all parties expect, and may involve management trade-offs. To the extent we establish specific commitments or targets, we may fail to meet them. We may also face criticism and scrutiny for any efforts we make with respect to ESG, including allegations that such efforts are inconsistent with duties we owe to shareholders or others.

23. *We May Face a Variety of Risks If We Begin Operations Outside the United States.*

If we pursue opportunities outside the United States, we may face a wide range of political, legal, operational, economic and other risks, including but not limited to: nationalization or expropriation of assets; imposition of limits on foreign ownership of local companies; changes in laws, their application or interpretation; political instability; economic or trade sanctions; sanctions on cross-border exchange listing, investment or other securities transactions; dividend limitations; price controls; currency exchange controls or other transfer or exchange restrictions; heightened cybersecurity risks, or labor relations risks.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Not applicable.

Item 3. Legal Proceedings

See *Note 14 - Commitments and Contingencies* to our audited consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol AEL. The following table sets forth the high and low sales prices of our common stock for each quarterly period within the two most recent fiscal years as quoted on the NYSE.

	High	Low
2022		
First Quarter	$44.49	$35.05
Second Quarter	$42.18	$32.65
Third Quarter	$43.55	$33.22
Fourth Quarter	$46.76	$28.05
2021		
First Quarter	$32.54	$26.21
Second Quarter	$33.68	$29.18
Third Quarter	$33.79	$27.12
Fourth Quarter	$39.88	$29.46

As of February 16, 2023, to the best of our knowledge, there were approximately 580 shareholders of record of our common stock. In 2022 and 2021, we paid an annual cash dividend of $0.36 and $0.34, respectively, per share on our common stock. We intend to continue to pay an annual cash dividend on such shares so long as we have sufficient capital and/or future earnings to do so. Any further determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition and future prospects and such other factors as our board of directors may deem relevant.

Since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Iowa insurance laws restrict the amount of distributions American Equity Life and Eagle Life can pay to us without the approval of the Iowa Insurance Commissioner. See Management's Discussion and Analysis of Financial Condition and Results of Operations and *Note 13 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements, which are incorporated by reference in this Item 5.

For disclosure on securities authorized for issuance under equity compensation plans, see our subsequent disclosure to be filed within 120 days after December 31, 2022.

Issuer Purchases of Equity Securities

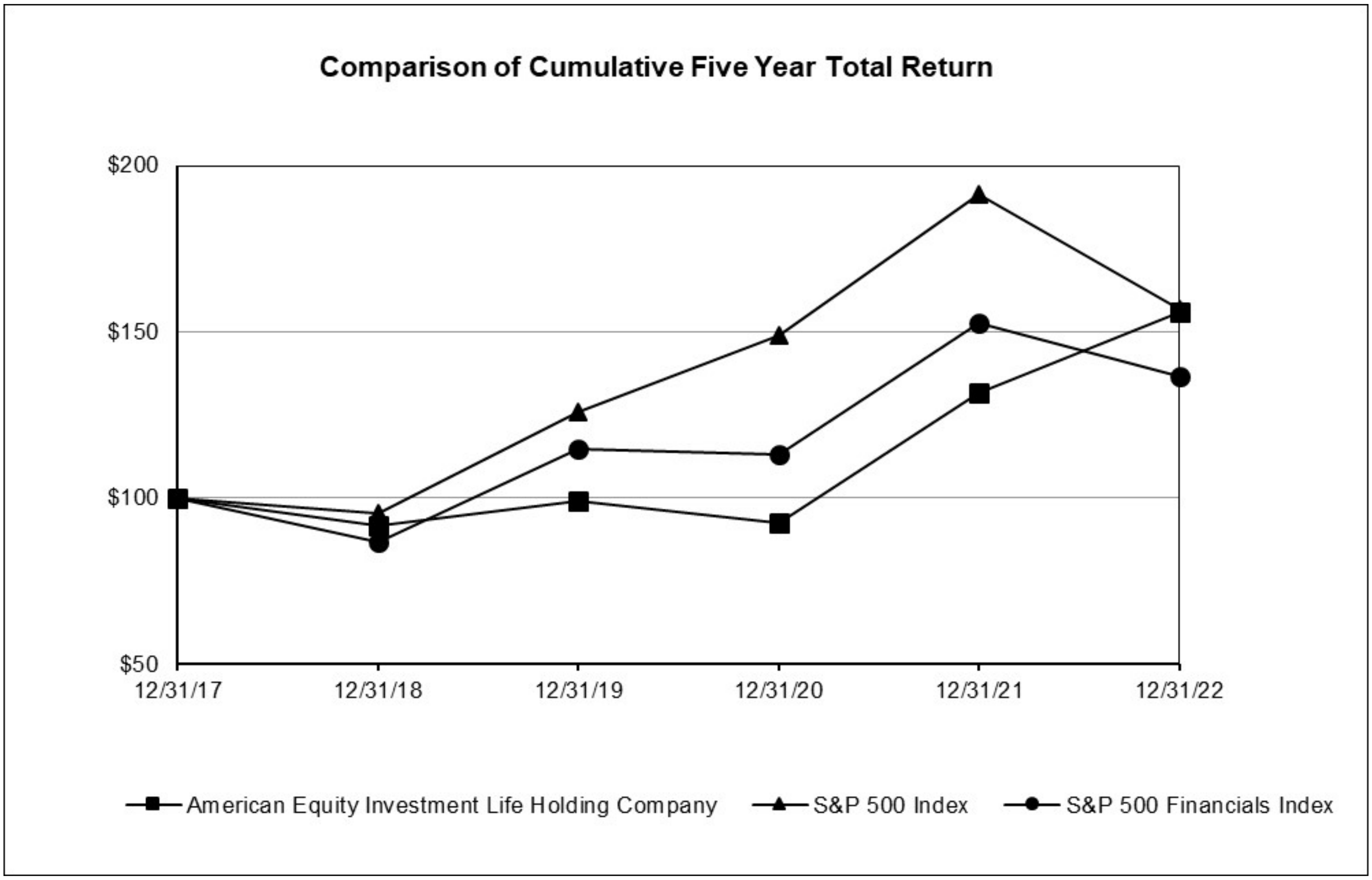
The following table presents the amount of our share purchase activity for the three months ended December 31, 2022:

Period	Total Number of Shares Purchased (shares)	Average Price Paid Per Share (dollars)	Total Number of Shares Purchased as Part of Publicly Announced Program (a) (shares)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Program (dollars in thousands)
October 1, 2022 - October 31, 2022	304,688	$ 37.84	304,688	$ 201,586
November 1, 2022 - November 30, 2022	842,749	$ 36.32	842,749	$ 570,975
December 1, 2022 - December 31, 2022	50,272	$ 38.91	50,272	$ 569,018
Total	1,197,709		1,197,709	

(a) On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program (since fully utilized). On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock. On November 11, 2022, the Company's Board of Directors authorized the repurchase of an additional $400 million of Company common stock.

Common Stock Performance Graph

The graph and table below compare the total return on our common shares with the total return on the S&P Global Ratings ("S&P") 500 and S&P 500 Financials indices for the five-year period ended on December 31, 2022. The graph and table show the total return on a hypothetical $100 investment in our common shares and in each index on December 31, 2017 including the reinvestment of all dividends. The graph and table below shall not be deemed to be "soliciting material" or to be "filed," or to be incorporated by reference in future filings with the SEC, or to be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.



	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
American Equity Investment Life Holding Co.	100.00	91.67	99.20	92.74	131.73	155.83
S&P 500 Index	100.00	95.62	125.72	148.85	191.58	156.88
S&P 500 Financials Index	100.00	86.97	114.91	112.96	152.54	136.48

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our consolidated financial position at December 31, 2022 compared with December 31, 2021, and our consolidated results of operations for the years ended December 31, 2022 and 2021, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with our audited consolidated financial statements, notes thereto and selected consolidated financial data appearing elsewhere in this report.

For information and analysis relating to our financial condition and consolidated results of operations as of and for the year ended December 31, 2021, as well as for the year ended December 31, 2021 compared with the year ended December 31, 2020, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this report and elsewhere (such as in filings by us with the SEC, press releases, presentations by us or management or oral statements) may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. Forward-looking statements give expectations or forecasts of future events and do not relate strictly to historical or current facts. They may relate to markets for our products, trends in our operations or financial results, strategic alternatives, future operations, strategies, plans, partnerships, investments, share buybacks and other financial developments. They use words and terms such as anticipate, assume, believe, can, continue, could, enable, estimate, expect, forecast, foreseeable, goal, improve, intend, likely, may, model, near, objective, opportunity, outlook, plan, potential, project, probable, remain, risk seek, should, strategy, target, will, would, and other words and terms of similar meaning or that are otherwise tied to future periods or future performance, in each case in all forms of speech and derivative forms, or similar words, as well as any projections of future events or results. Forward-looking statements, by their nature, are subject to a variety of assumptions, risks, and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by the Company. Factors that may cause our actual decisions or results to differ materially from those contemplated by these forward-looking statements include, among other things:

- results differing from assumptions, estimates, and models.
- interest rate condition changes.
- investments losses or failures to grow as quickly as expected due to market, credit, liquidity, concentration, default, and other risks.
- option costs increases.
- counterparty credit risks.
- third parties service-provider failures to perform or to comply with legal or regulatory requirements.
- poor attraction and retention of customers or distributors due to competitors' greater resources, broader array of products, and higher ratings.
- information technology and communication systems failures or security breaches.
- credit or financial strength downgrades.
- inability to raise additional capital to support our business and sustain our growth on favorable terms.
- U.S. and global capital market and economic deterioration due to major public health issues, including the COVID-19 pandemic, political or social developments, or otherwise.
- failure to authorize and pay dividends on our preferred stock.
- subsidiaries' inability to pay dividends or make other payments to us.
- failure at reinsurance, investment management, or third-party capital arrangements.
- failure to prevent excessive risk-taking.
- failure of policies and procedures to protect from operational risks.
- inability to protect intellectual property, or intellectual property infringement claims.
- increased litigation, regulatory examinations, and tax audits.
- changes to laws, regulations, accounting, and benchmarking standards.
- takeover or combination delays or deterrence by laws, corporate governance documents, or change-in-control agreements.
- effects of climate changes, or responses to it.
- failure of efforts to meet environmental, social, and governance standards and to enhance sustainability.

For a detailed discussion of these and other factors that might affect our performance, see Item 1A of this report.

Executive Summary

As previously noted, we began to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. During 2022, we continued to make significant progress in the execution of the AEL 2.0 strategy in all four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities. See **Item 1. Business - Strategy** for more information on the AEL 2.0 strategy and progress made during 2022.

Excellent customer service teamed with our ability to offer innovative insurance products that provide principal protection and lifetime income continued to result in significant sales of our annuity products. In 2022, our sales were $3.3 billion; over the last five years our sales have ranged from $3.3 billion to $6.0 billion.

The economic and personal investing environments continue to be conducive to the sale of fixed index and fixed rate annuity products as retirees and others looked to put their money in instruments that will protect their principal and provide them with consistent cash flow sources in their retirement years and a paycheck for life. Sales of fixed index and fixed rate annuity products decreased to $3.3 billion in 2022 compared to $6.0 billion in 2021. The decrease in fixed rate annuity sales was driven by the decision to focus on sales of fixed index annuity products as we believe such products align with the transformation of the Company from a spread based return on equity insurer to more of a fee-based return on asset insurer. The decrease in fixed index annuity sales was driven by the decision to focus on pricing discipline as interest rates fluctuated. With our latest pricing refresh in November 2022, we believe we are well positioned competitively to enter 2023 with strong momentum.

During 2022, we saw interest rates rise after an unprecedented period of low interest rates. In response, we have been actively managing policyholder crediting rates for new annuities and existing annuities as we focused on improving our pricing processes to become more nimble, targeted and responsive to market changes. We continue to have flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 82 basis points if we reduce current rates to guaranteed minimums. We expanded our privately sourced assets to include a more diversified portfolio in 2022 covering a variety of sectors, including infrastructure, middle market credit and commercial real estate equity. During 2022, we originated $5 billion of privately sourced assets with expected returns greater than 6%. Total private assets at year-end were nearly $11 billion, bringing our allocation to 22% of the investment portfolio at year-end.

On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program (since fully utilized), and on November 19, 2021,the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock. The share repurchase program has offset dilution from the issuance of shares to Brookfield, and its purpose remains to institute a regular cash return program for shareholders. On November 11, 2022, the Company's Board of Directors authorized the repurchase of an additional $400 million of Company common stock. As of December 31, 2022, we have repurchased approximately 23.9 million shares of our common stock to date at an average price of $34.74 per common share.

We specialize in the sale of individual annuities (primarily fixed and fixed index deferred annuities) through IMOs, agents, banks and broker-dealers. Fixed and fixed index annuities are an important product for Americans looking to fund their retirement needs as annuities have the ability to provide retirees a paycheck for life.

Under U.S. GAAP, premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Similarly, cash payments to policyholders are reported as decreases in the liabilities for policyholder account balances and not as expenses. Sources of revenues for products accounted for as deposit liabilities are net investment income, surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders, net realized gains (losses) on investments and changes in fair value of derivatives. Components of expenses for products accounted for as deposit liabilities are interest sensitive and index product benefits (primarily interest credited to account balances and changes in the liability for lifetime income benefit riders), changes in fair value of embedded derivatives, amortization of deferred sales inducements and deferred policy acquisition costs, other operating costs and expenses and income taxes.

Our profitability depends in large part upon:

- the amount of assets under our management,
- investment spreads we earn on our policyholder account balances,
- our ability to manage our investment portfolio to maximize returns and minimize risks such as interest rate changes and defaults or credit losses,
- our ability to appropriately price for lifetime income benefit riders offered on certain of our fixed rate and fixed index annuity policies,
- our ability to manage interest rates credited to policyholders and costs of the options purchased to fund the annual index credits on our fixed index annuities,
- our ability to manage the costs of acquiring new business (principally commissions paid to agents and distribution partners and bonuses credited to policyholders),
- our ability to maintain and continue to generate fee based revenue,
- our ability to manage our operating expenses, and
- income taxes.

Life insurance companies are subject to NAIC RBC requirements and rating agencies utilize a form of RBC to partially determine capital strength of insurance companies. Our RBC ratio at December 31, 2022 and 2021 was 415% and 400%, respectively.

We intend to manage our capitalization in normal economic conditions at a level that is consistent with rating agency capital at or above the A-level. It may drift downwards, at times, for reasons including, but not limited to, realized credit losses or temporary increases in required risk capital for ratings migrations. This level is intended to reflect a level that is consistent with the rating agencies expectations for capital adequacy ratios at different points in an economic cycle. This implies operating with a peak to trough swing whereby capital is absorbing risk at the low point of the economic cycle.

On November 28, 2022 S&P affirmed its "A-" financial strength rating on American Equity Life and its "BBB-" long-term issuer credit rating on American Equity Investment Life Holding Company with an outlook of "stable" on these ratings.

On September 9, 2022, A.M. Best affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its subsidiaries, American Equity Investment Life Insurance Company of New York and Eagle Life Insurance Company, its "bbb-" long-term issuer credit rating of American Equity Investment Life Holding Company, its "bbb-" senior unsecured debt ratings, and its "bb" perpetual, non-cumulative preferred stock ratings. The outlook for these credit ratings of "stable" was also affirmed by A.M. Best on September 9, 2022.

On December 7, 2022, Fitch affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its life insurance subsidiaries, its "BBB" issuer default rating on American Equity Investment Life Holding Company and its "BBB-" senior unsecured debt ratings, and revised its outlook to "stable" from "negative" on its financial strength, issuer default and senior unsecured debt ratings.

Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholder, or the "investment spread." Our investment spread is summarized as follows:

	Year Ended December 31,		
	2022	**2021**	**2020**
Average yield on invested assets	4.34%	3.73%	4.12%
Aggregate cost of money	1.71%	1.55%	1.69%
Aggregate investment spread	2.63%	2.18%	2.43%
Impact of:			
Investment yield - additional prepayment income	0.03%	0.11%	0.08%
Cost of money benefit from over hedging	0.01%	0.07%	0.02%

The cost of money for fixed index annuities and average crediting rates for fixed rate annuities are computed based upon policyholder account balances and do not include the impact of amortization of deferred sales inducements. See Critical Accounting Policies and Estimates—Deferred Policy Acquisition Costs and Deferred Sales Inducements. With respect to our fixed index annuities, the cost of money includes the average crediting rate on amounts allocated to the fixed rate strategy and expenses we incur to fund the annual index credits. Proceeds received upon expiration of call options purchased to fund annual index credits are recorded as part of the change in fair value of derivatives, and are largely offset by an expense for interest credited to annuity policyholder account balances. See Critical Accounting Policies and Estimates - Policy Liabilities for Fixed Index Annuities and Financial Condition - Derivative Instruments.

Average yield on invested assets increased primarily as a result of strong returns on partnerships and other mark to market assets, the benefit from higher short-term interest rates, lower average cash balances and the ramp in private assets partly offset by lower prepayment income. See **Net investment income**. The aggregate cost of money increased primarily due to increases in options costs and a reduction in the benefit from over hedging as compared to the prior year. We have the flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 82 basis points if we reduce current rates to guaranteed minimums.

Results of Operations for the Three Years Ended December 31, 2022

Annuity deposits by product type collected during 2022, 2021 and 2020, were as follows:

	Year Ended December 31,		
Product Type	**2022**	**2021**	**2020**
		(Dollars in thousands)	
American Equity Life:			
Fixed index annuities	$ 2,692,141	$ 2,753,479	$ 1,992,059
Annual reset fixed rate annuities	5,329	6,133	8,128
Multi-year fixed rate annuities	56,511	855,702	395,982
Single premium immediate annuities	18,935	59,816	33,461
	2,772,916	3,675,130	2,429,630
Eagle Life:			
Fixed index annuities	479,279	697,068	345,519
Annual reset fixed rate annuities	380	350	97
Multi-year fixed rate annuities	82,581	1,597,292	907,151
	562,240	2,294,710	1,252,767
Consolidated:			
Fixed index annuities	3,171,420	3,450,547	2,337,578
Annual reset fixed rate annuities	5,709	6,483	8,225
Multi-year fixed rate annuities	139,092	2,452,994	1,303,133
Single premium immediate annuities	18,935	59,816	33,461
Total before coinsurance ceded	3,335,156	5,969,840	3,682,397
Coinsurance ceded	968,906	424,819	35,667
Net after coinsurance ceded	$ 2,366,250	$ 5,545,021	$ 3,646,730

Annuity deposits before coinsurance ceded decreased 44% during 2022 compared to 2021. Annuity deposits after coinsurance ceded decreased 57% during 2022 compared to 2021. The decrease in sales in 2022 compared to 2021 was primarily driven by a reduction in sales of multi-year fixed rate annuity products at both American Equity Life and Eagle Life which is in line with our 2022 sales strategy of focusing on sales of fixed index annuities.

We began ceding 75% of certain fixed index annuities issued after July 1, 2021 to North End Re which caused the increase in coinsurance ceded premiums for the year ended December 31, 2022 compared to 2021.

Net income available to common stockholders increased 174% to $1.2 billion in 2022 and decreased 33% to $430.3 million in 2021 from $637.9 million in 2020. The increase in net income available to common stockholders for the year ended December 31, 2022 was driven primarily by an increase in net investment income, a decrease in the change in fair value of embedded derivatives and a decrease in interest sensitive and index product benefits. These changes were partially offset by a decrease in the change in fair value of derivatives and increases in amortization of deferred sales inducements and deferred policy acquisition costs.

Net income available to common stockholders for the year ended December 31, 2022 was positively impacted by an increase in the aggregate investment spread as previously noted. Net income, in general, is impacted by the volume of business in force and the investment spread earned on this business. The average amount of annuity account balances outstanding (net of annuity liabilities ceded under coinsurance agreements) decreased 4% to $51.6 billion for the year ended December 31, 2022 compared to $53.7 billion in 2021 and increased 1% for the year ended December 31, 2021 compared to $53.3 billion in 2020. Our investment spread measured in dollars was $1.4 billion, $1.2 billion, and $1.3 billion for the years ended December 31, 2022, 2021 and 2020, respectively. Investment income for the year ended December 31, 2022 was positively impacted by strong returns on partnerships and other mark to market assets, the benefit from higher short-term interest rates, lower average cash balances and an increase in allocation to higher yielding privately sourced assets (see **Net investment income**). The volume of cash and cash equivalent holdings decreased in the fourth quarter of 2021 and the first quarter of 2022 with the execution of the reinsurance treaty with North End Re and the investment of cash balances above our target levels.

Net income was also impacted by the change in fair value of derivatives and embedded derivatives, which fluctuates from period to period based upon changes in fair values of call options purchased to fund the annual index credits for fixed index annuities and changes in interest rates used to discount the embedded derivative liability. Net income for the year ended December 31, 2022 was positively impacted by decreases in expected index credits on the next policy anniversary dates resulting from decreases in the fair value of the call options acquired to fund these index credits and net increases in the discount rates used to estimate the fair value of our embedded derivative liabilities, the impacts of which were partially offset by decreases in the change in fair value of derivatives and increases in amortization of deferred policy acquisition costs and deferred sales inducements related to changes in fair value of derivatives and embedded derivatives. See **Change in fair value of derivatives, Change in fair value of embedded derivatives, Amortization of deferred sales inducements** and **Amortization of deferred policy acquisition costs.**

We periodically update the key assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. In addition, we periodically update the assumptions used in determining the liability for lifetime income benefit riders and the embedded derivative component of our fixed index annuity policy benefit reserves as experience develops that is different from our assumptions.

Net income available to common stockholders for 2022, 2021 and 2020 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Increase (decrease) in amortization of deferred sales inducements	$ 45,682	$ (45,107)	$ 428,101
Increase (decrease) in amortization of deferred policy acquisition costs	56,853	(45,662)	646,785
Increase (decrease) in interest sensitive and index product benefits	(53,042)	243,658	285,825
Decrease in change in fair value of embedded derivatives	(94,770)	(122,294)	(2,341,279)
Effect on net income available to common stockholders	35,543	(24,017)	769,611

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions during each year.

The most significant assumption updates made in 2022 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lapse rate and partial withdrawal assumptions and lifetime income benefit rider utilization assumptions.

We updated our assumption for net investment spread for American Equity Life to remain steady at 2.60% through an eight-year reversion period. We increased our long-term net investment earned rate assumption by 40 basis points with an assumption of 4.25% in the near term increasing to 5.00% over the eight-year reversion period, and we increased our long-term crediting/discount rate assumption by 30 basis points with an assumption of 1.65% in the near term increasing to 2.40% over the eight year reversion period. In addition, we adjusted the grading of the discount rate assumption in the embedded derivative calculation. These changes resulted in an increase in expected future gross profits and therefore an increase in the deferred policy acquisition costs and deferred sales inducements balances. These changes also resulted in a decrease in the liability for lifetime income benefit riders due to a higher discount rate and a decrease in the fair value of the embedded derivative due to the grading of the crediting rate assumption.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. We refreshed lapse tables based on five years of lapse experience and implemented a 1% lapse floor. For policies with a lifetime income benefit rider that do not charge a fee, we increased the lapse rates. For policies with a lifetime income benefit rider that has been utilized, we decreased the lapse rates. We expanded our partial withdrawal assumptions to include scalars in our assumptions during the surrender charge period, shock period, and post-shock period. This resulted in partial withdrawals extending beyond the surrender charge period. The net impact of the lapse rate and partial withdrawal assumptions resulted in a decrease in expected future gross profits and a decrease in the deferred policy acquisition costs and deferred sales inducements balances. The net impact of these changes resulted in an increase in the liability for lifetime income benefit riders due to higher excess claims and lower gross profits and increased the fair value of the embedded derivative due to lower overall lapses and partial withdrawals.

We updated our lifetime income benefit rider utilization assumption structure to capture policyholder characteristics at a more granular level. This resulted in an increase in the number of policies utilizing the benefit and increased the excess claims. The impact of this change resulted in an increase in the liability for lifetime income benefit riders, an increase in the fair value of the embedded derivative, and an increase in the deferred policy acquisition costs and deferred sales inducements balances.

The most significant assumption updates made in 2021 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lifetime income benefit rider utilization assumptions, mortality assumptions, and lapse rate assumptions as discussed below. In addition, we made assumption updates to change the reinsurance expense assumption associated with the refinancing of statutory redundant reserves effective October 1, 2021.

Due to the continued low interest rate environment, we updated our assumption for investment spread for American Equity Life to 2.25% in the near term and increasing to 2.50% over an eight-year reversion period and our assumption for crediting/discount rate to 1.55% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was at 2.60% at the end of an eight-year reversion period, with a near term crediting/discount rate of 1.90% increasing to 2.10% over an eight-year reversion period. The assumption change to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements.

We updated lapse rate and mortality assumptions based on historical experience. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on polices with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The overall mortality assumption was lowered to reflect historical experience. The net impact of the updates to the lapse rate and mortality assumptions resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and mortality assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

We updated the lifetime income benefit rider utilization assumption based on historical experience. The ultimate utilization assumption was lowered for policies with a fee rider and certain policies with a no-fee rider. In addition, the utilization assumption was changed to reflect seasonality with higher utilization rates during the first quarter of each year. The net impact of the updates to the utilization assumption resulted in a decrease in the liability for lifetime income benefit riders due to a lower amount of expected benefits payments due to lower expected utilization. The net impact of the updates to the utilization assumption resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserve in 2021 was the change in lapse rate assumptions discussed above. The net impact of the updates to the lapse rate assumption resulted in a decrease in the embedded derivative component of our fixed index annuity policy benefit reserves as less funds ultimately qualify for excess benefits.

Non-GAAP operating income available to common stockholders, a non-GAAP financial measure increased 25% to $362.9 million in 2022 and increased 320% to $290.5 million in 2021 from $69.1 million in 2020. The increase in non-GAAP operating income available to common stockholders for the year ended December 31, 2022 was primarily a result of the impact of assumption updates made during 2022 compared to the impact of assumption updates made during 2021. Non-GAAP operating income available to common stockholders and Non-GAAP operating income available to common stockholders per common share - assuming dilution, excluding the impact of notable items, for the year ended December 31, 2022 were $336.4 million and $3.67 per share, respectively. Non-GAAP operating income available to common stockholders and Non-GAAP operating income available to common stockholders per common share - assuming dilution, excluding the impact of notable items, for the year ended December 31, 2021 were $368.5 million and $3.90 per share, respectively. Non-GAAP operating income available to common stockholders, excluding the impact of notable items, for the year ended December 31, 2022 was negatively impacted by an increase in interest sensitive and index product benefits due to a larger increase in lifetime income benefit rider reserves and increases in amortization of deferred sales inducements and deferred policy acquisition costs compared to 2021. Non-GAAP operating income available to common stockholders for the year ended December 31, 2022 was positively impacted by an increase in the aggregate investment spread as previously noted and an increase in other revenue compared to 2021.

In addition to net income available to common stockholders, we have consistently utilized non-GAAP operating income available to common stockholders, a non-GAAP financial measure commonly used in the life insurance industry, as an economic measure to evaluate our financial performance. Non-GAAP operating income available to common stockholders equals net income available to common stockholders adjusted to eliminate the impact of items that fluctuate from year to year in a manner unrelated to core operations, and we believe measures excluding their impact are useful in analyzing operating trends. The most significant adjustments to arrive at non-GAAP operating income available to common stockholders eliminate the impact of fair value accounting for our fixed index annuity business and are not economic in nature but rather impact the timing of reported results. We believe the combined presentation and evaluation of non-GAAP operating income available to common stockholders together with net income available to common stockholders provides information that may enhance an investor's understanding of our underlying results and profitability.

Non-GAAP operating income available to common stockholders is not a substitute for net income available to common stockholders determined in accordance with GAAP. The adjustments made to derive non-GAAP operating income available to common stockholders are important to understand our overall results from operations and, if evaluated without proper context, non-GAAP operating income available to common stockholders possesses material limitations. As an example, we could produce a low level of net income available to common stockholders or a net loss available to common stockholders in a given period, despite strong operating performance, if in that period we experience significant net realized losses from our investment portfolio. We could also produce a high level of net income available to common stockholders in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio. As an example of another limitation of non-GAAP operating income available to common stockholders, it does not include the decrease in cash flows expected to be collected as a result of credit losses on financial assets. Therefore, our management reviews net realized investment gains (losses) and analyses of our net investment income, including impacts related to credit losses, in connection with their review of our investment portfolio. In addition, our management examines net income available to common stockholders as part of their review of our overall financial results.

The adjustments made to net income available to common stockholders to arrive at non-GAAP operating income available to common stockholders and non-GAAP operating income available to common stockholders, excluding notable items for 2022, 2021 and 2020 are set forth in the table that follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Reconciliation from net income available to common stockholders to non-GAAP operating income available to common stockholders:			
Net income available to common stockholders	$ 1,177,269	$ 430,317	$ 637,945
Adjustments to arrive at non-GAAP operating income available to common stockholders:			
Net realized losses on financial assets, including credit losses	36,428	10,299	59,355
Change in fair value of derivatives and embedded derivatives	(1,080,356)	(187,290)	(784,005)
Net investment income	664	—	—
Other revenue	5,969	—	—
Income taxes	222,966	37,184	155,808
Non-GAAP operating income available to common stockholders	362,940	290,510	69,103
Impact of excluding notable items	(26,572)	78,036	310,117
Non-GAAP operating income available to common stockholders, excluding notable items	$ 336,368	$ 368,546	$ 379,220
Per common share - assuming dilution:			
Non-GAAP operating income available to common stockholders	$ 3.96	$ 3.07	$ 0.75
Impact of excluding notable items	(0.29)	0.83	3.36
Non-GAAP operating income available to common stockholders, excluding notable items	$ 3.67	$ 3.90	$ 4.11
Notable items impacting non-GAAP operating income available to common stockholders:			
Impact of actuarial assumption updates	$ (26,572)	$ 78,036	$ 340,895
Tax benefit related to the CARES Act	—	—	(30,778)
Total notable items	$ (26,572)	$ 78,036	$ 310,117

The amounts disclosed in the reconciliation above are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and accretion of lifetime income benefit rider reserves where applicable. Notable items reflect the after-tax impact to non-GAAP operating income available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items primarily include the impact from actuarial assumption updates. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Non-GAAP operating income available to common stockholders for 2022, 2021 and 2020 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Increase (decrease) in amortization of deferred sales inducements	$ 8,670	$ (66,066)	$ 57,467
Increase (decrease) in amortization of deferred policy acquisition costs	10,520	(78,183)	90,970
Increase (decrease) in interest sensitive and index product benefits	(53,042)	243,658	285,825
Effect on non-GAAP operating income available to common stockholders	26,572	(78,036)	(340,895)

The impact to net income available to common stockholders and non-GAAP operating income available to common stockholders from assumption updates varies due to the impact of fair value accounting for our fixed index annuity business as non-GAAP operating income available to common stockholders eliminates the impact of fair value accounting for our fixed index annuity business. While the assumption updates made during 2022, 2021 and 2020 were consistently applied, the impact to net income available to common stockholders and non-GAAP operating income available to common stockholders varies due to different amortization rates being applied to gross profit adjustments included in the valuation.

Annuity product charges (surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders) decreased 5% to $230.4 million in 2022 and decreased 3% to $242.6 million in 2021 from $251.2 million in 2020. The components of annuity product charges are set forth in the table that follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Surrender charges	$ 72,699	$ 67,657	$ 72,551
Lifetime income benefit riders (LIBR) fees	157,655	174,974	178,676
	$ 230,354	$ 242,631	$ 251,227
Withdrawals from annuity policies subject to surrender charges	$ 1,145,415	$ 1,099,098	$ 776,305
Average surrender charge collected on withdrawals subject to surrender charges	6.3 %	6.2 %	9.3 %
Fund values on policies subject to LIBR fees	$ 19,473,279	$ 22,183,623	$ 22,986,903
Weighted average per policy LIBR fee	0.81 %	0.79 %	0.78 %

The decrease in annuity product charges during 2022 was attributable to a decrease in fees assessed for lifetime income benefit riders due to a smaller volume of business in force subject to the fees slightly offset by an increase in the average fees being charged and an increase in withdrawals subject to surrender charges compared to 2021. The smaller volume of business subject to the fees is primarily due to the execution of the North End Re reinsurance treaty which was effective on July 1, 2021 and the execution of the AeBe reinsurance treaty which was effective October 3, 2022. See **Interest sensitive and index product benefits** below for corresponding expense recognized on lifetime income benefit riders.

Net investment income increased 13% to $2.3 billion in 2022 and decreased 7% to $2.0 billion in 2021 from $2.2 billion in 2020. The increase for 2022 compared to 2021 was attributable to an increase in the average yield earned on invested assets during 2022. Average invested assets excluding derivative instruments (on an amortized cost basis) decreased 3% to $53.2 billion in 2022 and increased 3% to $54.8 billion in 2021 compared to $53.1 billion in 2020.

The average yield earned on average invested assets was 4.34%, 3.73% and 4.12% for 2022, 2021 and 2020, respectively. The increase in yield earned on average invested assets in 2022 was primarily attributable to strong returns on partnerships and other mark to market assets, the benefit from higher short-term interest rates, lower average cash balances and the ramp in private assets partly offset by lower prepayment income.

The expected return on investments purchased during 2022 was 5.01%, net of third-party investment management expenses. Purchases for 2022 included $5.7 billion of fixed maturity securities with an expected return of 4.02% and $5.0 billion of privately sourced assets with an expected return of 6.14%. The privately sourced assets include investments in infrastructure, middle market credit and commercial real estate equity. The expected return on investments purchased during 2021 and 2020 was 3.92% and 3.84%, respectively.

Change in fair value of derivatives primarily consists of call options purchased to fund annual index credits on fixed index annuities. The components of change in fair value of derivatives are as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Call options:			
Gain (loss) on option expiration	$ (287,328)	$ 1,368,381	$ 15,042
Change in unrealized gains/losses	(831,440)	(20,456)	19,562
Warrants	264	810	—
Interest rate swaps	(19,624)	—	—
Interest rate caps	—	—	62
	$ (1,138,128)	$ 1,348,735	$ 34,666

The differences between the change in fair value of derivatives between years for call options are primarily due to the performance of the indices upon which our call options are based which impacts the level of gains on call option expirations, the fair values of those call options and changes in the fair values of those call options between years. The changes in gain (loss) on option expiration and in unrealized gains/losses on call options for the year ended December 31, 2022 as compared to 2021 are due to equity market performance in 2022 compared to 2021. A substantial portion of our call options are based upon the S&P 500 Index with the remainder based upon other equity and bond market indices. The range of index appreciation (after applicable caps, participation rates and asset fees) for options expiring during these years is as follows:

	Year Ended December 31,		
	2022	2021	2020
S&P 500 Index			
Point-to-point strategy	0.0% - 12.5%	0.0% - 42.6%	0.0% - 17.4%
Monthly average strategy	0.0% - 8.6%	0.0% - 29.4%	0.0% - 11.9%
Monthly point-to-point strategy	0.0% - 12.9%	0.0% - 21.7%	0.0% - 14.0%
Volatility control index point-to-point strategy	0.0% - 7.3%	0.0% - 9.7%	0.0% - 9.3%
Fixed income (bond index) strategies	0.0% - 6.5%	0.0% - 10.0%	0.0% - 13.6%

The change in fair value of derivatives is also influenced by the aggregate cost of options purchased. During 2022, the aggregate cost of options were higher than in 2021 as option costs generally increased during 2022. The aggregate cost of options is also influenced by the amount of policyholder funds allocated to the various indices and market volatility which affects option pricing. See Critical Accounting Policies and Estimates - Policy Liabilities for Fixed Index Annuities.

Net realized gains (losses) on investments include gains and losses on the sale of securities and other investments and changes in allowances for credit losses on our securities and mortgage loans on real estate. Net realized gains (losses) on investments fluctuate from year to year primarily due to changes in the interest rate and economic environments and the timing of the sale of investments. See *Note 3 - Investments* and *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements and Financial Condition - Credit Losses for a detailed presentation of the types of investments that generated the gains (losses) as well as discussion of credit losses on our securities recognized during the periods presented and Financial Condition - Investments and *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements for discussion of credit losses recognized on mortgage loans on real estate.

Securities sold at losses are generally due to our long-term fundamental concern with the issuers' ability to meet their future financial obligations or to improve our risk or duration profiles as they pertain to our asset liability management.

Other revenue increased 180% to $43.9 million in 2022 compared to $15.7 million in 2021. The increase for 2022 compared to 2021 was primarily attributable to the increase in business ceded under the North End Re reinsurance treaty which was effective July 1, 2021. See *Note 8 - Reinsurance and Policy Provisions* to our audited consolidated financial statements for more information. The components of other revenue are summarized as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Asset liability management fees	$ 12,686	$ 5,470	$ —
Amortization of deferred gain	31,235	10,200	—
	$ 43,921	$ 15,670	$ —

Interest sensitive and index product benefits decreased 67% to $889.7 million in 2022 and increased 74% to $2.7 billion in 2021 from $1.5 billion in 2020. The components of interest sensitive and index product benefits are summarized as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Index credits on index policies	$ 305,292	$ 1,977,888	$ 747,489
Interest credited (including changes in minimum guaranteed interest for fixed index annuities)	249,579	253,725	198,745
Lifetime income benefit riders	334,779	449,793	597,036
	$ 889,650	$ 2,681,406	$ 1,543,270

The changes in index credits were attributable to changes in the level of appreciation of the underlying indices (see discussion above under **Change in fair value of derivatives**) and the amount of funds allocated by policyholders to the respective index options. Total proceeds received upon expiration of the call options purchased to fund the annual index credits were $0.3 billion, $2.0 billion and $0.8 billion for the years ended December 31, 2022, 2021 and 2020, respectively. The decrease in interest credited in 2022 was due to a reduction in interest credited to funds allocated to the fixed option strategy within our fixed index annuities due to a decrease in the average balance allocated to the fixed option strategy partially offset by an increase in deferred annuity products that receive a fixed rate of interest. The decrease in benefits recognized for lifetime income benefit riders for 2022 compared to 2021 was due to the impact of assumption updates made during 2022 compared to assumption updates made during 2021 partially offset by the impacts on the calculation of the lifetime income benefit rider reserve of actual results compared to expected results for items such as lifetime income benefit rider election rates and the level of index credits. The net impact of updating expected results with actual results led to an increase in the lifetime income benefit rider reserve for the year ended December 31, 2022. In addition, fund value of policies with lifetime income benefit riders decreased as a result of the North End Re reinsurance treaty executed during 2021 and the execution of the AeBe reinsurance treaty which was effective October 3, 2022. **See Net income available to common stockholders** above for discussion of the changes in the assumptions used in determining reserves for lifetime income benefit riders for the years ended December 31, 2022 and 2021.

Amortization of deferred sales inducements is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. The increases in amortization before and after gross profit adjustments for 2022 compared to 2021 were due to the impact of assumption updates made during 2022 compared to the impact of assumption updates made during 2021. In addition, amortization of deferred sales inducements for the year ended December 31, 2022 increased due to increases in actual gross profits for the year ended December 31, 2022 compared to 2021. Amortization of deferred sales inducements for the year ended December 31, 2022 also increased as index credits on index policies for the year ended December 31, 2022 were less than index credits on index policies for 2021. Bonus products represented 63%, 65% and 75% of our net annuity account values at December 31, 2022, 2021 and 2020, respectively. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. Fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. The change in fair value of the embedded derivatives will not correspond to the change in fair value of the derivatives (purchased call options), because the purchased call options are one-year options while the options valued in the fair value of embedded derivatives cover the expected lives of the contracts which typically exceed ten years.

Amortization of deferred sales inducements is summarized as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Amortization of deferred sales inducements before gross profit adjustments	$ 234,778	$ 112,790	$ 243,067
Gross profit adjustments:			
Fair value accounting for derivatives and embedded derivatives	177,131	40,899	202,660
Net realized losses on investments	(3,361)	(997)	(7,563)
Amortization of deferred sales inducements after gross profit adjustments	$ 408,548	$ 152,692	$ 438,164

See **Net income available to common stockholders** and **Non-GAAP operating income available to common stockholders, a non-GAAP financial measure** above for discussion of the impact of assumption updates on amortization of deferred sales inducements for the years ended December 31, 2022 and 2021. See Critical Accounting Policies and Estimates - Deferred Policy Acquisition Costs and Deferred Sales Inducements.

Change in fair value of embedded derivatives includes changes in the fair value of our fixed index annuity embedded derivatives (see *Note 6 - Derivative Instruments* to our audited consolidated financial statements). The components of change in fair value of embedded derivatives are as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Fixed index annuities - embedded derivatives	$ (2,561,676)	$ (876,803)	$ (1,922,085)
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	648,580	520,863	635,298
Reinsurance related embedded derivative	(439,502)	(2,362)	—
	$ (2,352,598)	$ (358,302)	$ (1,286,787)

The change in fair value of the fixed index annuity embedded derivatives resulted from (i) changes in the expected index credits on the next policy anniversary dates, which are related to the change in fair value of the call options acquired to fund those index credits discussed above in **Change in fair value of derivatives**; (ii) changes in the expected annual cost of options we will purchase in the future to fund index credits beyond the next policy anniversary; (iii) changes in the discount rates used in estimating our embedded derivative liabilities; and (iv) the growth in the host component of the policy liability. The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represent the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivative. See Critical Accounting Policies and Estimates- Policy Liabilities for Fixed Index Annuities.

The primary reasons for the decrease in the change in fair value of the fixed index annuity embedded derivatives during 2022 compared to 2021 were due to decreases in expected index credits on the next policy anniversary dates resulting from decreases in the fair value of the call options acquired to fund the index credits during 2022 compared to increases in the expected index credits resulting from increases in the fair value of the call options acquired to fund these index credits during 2021 and larger increases in the net discount rates used in the calculation during 2022 compared to 2021. The discount rates used in estimating our embedded derivative liabilities fluctuate based on the changes in the general level of risk free interest rates and our own credit spread.

The reinsurance agreements executed in 2022 with AeBe and 2021 with North End Re to cede certain fixed index annuity product liabilities on a coinsurance funds withheld and modified coinsurance basis contain embedded derivatives. The fair value of these embedded derivatives are based on the unrealized gains and losses of the underlying assets held in the funds withheld and modified coinsurance portfolios and the fair value of the assets decreased during 2022. See *Note 6 - Derivative Instruments* for discussion on this embedded derivative.

Amortization of deferred policy acquisition costs is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. The increases in amortization before and after gross profit adjustments for 2022 compared to 2021 were due to the impact of assumption updates made during 2022 compared to the impact of assumption updates made during 2021. In addition, amortization of deferred policy acquisition costs for the year ended December 31, 2022 increased due to increases in actual gross profits for the year ended December 31, 2022 as compared to 2021. Amortization of deferred policy acquisition costs for the year ended December 31, 2022 also increased as index credits on index policies for the year ended December 31, 2022 were less than index credits on index policies for 2021. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. As discussed above, fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts.

Amortization of deferred policy acquisition costs is summarized as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Amortization of deferred policy acquisition costs before gross profit adjustments	$ 330,290	$ 181,589	$ 368,139
Gross profit adjustments:			
Fair value accounting for derivatives and embedded derivatives	290,905	88,576	293,827
Net realized losses on investments	(5,895)	(1,837)	(12,412)
Amortization of deferred policy acquisition costs after gross profit adjustments	$ 615,300	$ 268,328	$ 649,554

See **Net income available to common stockholders** and **non-GAAP operating income available to common stockholders, a non-GAAP financial measure,** above for discussion of the impact of assumption updates on amortization of deferred policy acquisition costs for the years ended December 31, 2022 and 2021. See Critical Accounting Policies and Estimates - Deferred Policy Acquisition Costs and Deferred Sales Inducements.

Other operating costs and expenses decreased 2% to $239.6 million in 2022 and increased 33% to $243.7 million in 2021 from $183.6 million in 2020 and are summarized as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Salary and benefits	$ 162,061	$ 139,155	$ 95,815
Other	77,555	104,557	87,821
Total other operating costs and expenses	$ 239,616	$ 243,712	$ 183,636

Salary and benefits increased $22.9 million for the year ended December 31, 2022 compared to 2021. The increases in salary and benefits were primarily due to an increased number of employees related to our continued growth and implementation of AEL 2.0 as well as increases in the expense recognized under our equity and cash incentive compensation programs ("incentive compensation programs"). The increases in expenses related to our incentive compensation programs were primarily due to new compensation programs and increases in the expected payouts due to a larger number of employees participating in the programs.

Other expenses decreased for the year ended December 31, 2022 compared to 2021. The decrease was primarily related to a decrease in risk charges expense due to the recapture of an existing reinsurance agreement which was replaced with a new agreement with a lower risk charge.

We expect the level of other operating costs and expenses to be in the $250 million range for 2023 as we continue to execute on the AEL 2.0 strategy.

Income tax expense increased in 2022 primarily due to an increase in income before income taxes. The effective income tax rates were 21.0% and 21.4% for 2022 and 2021, respectively.

Income tax expense and the resulting effective tax rate are based upon two components of income before income taxes ("pretax income") that are taxed at different tax rates. Life insurance income is generally taxed at a statutory rate of approximately 21.5% reflecting the absence of state income taxes for substantially all of the states that the life insurance subsidiaries do business in. The income (loss) for the parent company and other non-life insurance subsidiaries (the "non-life insurance group") is generally taxed at a statutory tax rate of 28.7% reflecting the combined federal and state income tax rates. The effective income tax rates resulting from the combination of the income tax provisions for the life and non-life sources of income (loss) vary from year to year based primarily on the relative size of pretax income from the two sources.

We did not provide for a valuation allowance for the deferred income tax asset attributable to unrealized losses on available for sale fixed maturity securities. Management expects that the passage of time will result in the reversal of the unrealized losses on available for sale fixed maturity securities due to the fair value increasing as these securities near maturity. We have the intent and ability to hold these securities to maturity and do not believe it would be necessary to liquidate these securities at a loss. In addition, we have the ability to sell fixed maturity securities in unrealized gain positions to offset realized deferred income tax assets attributable to unrealized losses on available for sale fixed maturity securities. To the extent future changes in facts and circumstances impact our intent and ability to hold these assets to recovery, this could impact the realization of the deferred tax asset.

Financial Condition

Investments

Our investment strategy is to maximize current income and total investment return through active management while maintaining a responsible asset allocation strategy containing high credit quality investments and providing adequate liquidity to meet our cash obligations to policyholders and others. Our investment strategy is also reflective of insurance statutes, which regulate the type of investments that our life subsidiaries are permitted to make and which limit the amount of funds that may be used for any one type of investment.

As previously noted, as part of our AEL 2.0 investment pillar, we have increased our allocation to private assets in part by partnering with proven asset managers in our focus expansion sectors of commercial real estate, residential real estate including mortgages and single family rental homes, infrastructure debt and equity, middle market lending and lending to revenue, technology and software sector companies.

The composition of our investment portfolio is summarized as follows:

	December 31,			
	2022		2021	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Fixed maturity securities:				
U.S. Government and agencies	$ 169,071	0.4 %	$ 1,078,746	1.9 %
States, municipalities and territories	3,822,943	8.5 %	3,758,761	6.5 %
Foreign corporate securities and foreign governments	616,938	1.4 %	375,097	0.6 %
Corporate securities	20,201,774	44.8 %	32,631,189	57.0 %
Residential mortgage backed securities	1,366,927	3.0 %	1,125,049	2.0 %
Commercial mortgage backed securities	3,447,075	7.6 %	4,682,900	8.2 %
Other asset backed securities	5,155,254	11.4 %	5,146,567	9.0 %
Total fixed maturity securities	34,779,982	77.1 %	48,798,309	85.2 %
Mortgage loans on real estate	6,778,977	15.0 %	5,650,480	9.9 %
Real estate investments	1,056,063	2.3 %	337,939	0.6 %
Limited partnerships and limited liability companies	1,266,779	2.8 %	520,120	0.9 %
Derivative instruments	431,727	1.0 %	1,277,480	2.2 %
Other investments	829,900	1.8 %	690,344	1.2 %
	45,143,428	100.0 %	57,274,672	100.0 %
Coinsurance investments (1)	6,181,870		3,101,832	
	$ 51,325,298		$ 60,376,504	

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Fixed Maturity Securities

Our fixed maturity security portfolio is managed to minimize risks such as interest rate changes and defaults or credit losses while earning a sufficient and stable return on our investments. The largest portion of our fixed maturity securities are in investment grade (typically NAIC designation 1 or 2) publicly traded or privately placed corporate securities.

A summary of our fixed maturity securities by NRSRO ratings is as follows:

	December 31,					
	2022			2021		
Rating Agency Rating	Amortized Cost	Carrying Amount	Percent of Fixed Maturity Securities	Amortized Cost	Carrying Amount	Percent of Fixed Maturity Securities
	(Dollars in thousands)					
Aaa/Aa/A	$ 24,462,459	$ 21,723,282	62.5 %	$ 24,943,232	$ 27,496,506	56.4 %
Baa	14,228,490	12,434,302	35.7 %	18,443,171	20,147,369	41.3 %
Total investment grade	38,690,949	34,157,584	98.2 %	43,386,403	47,643,875	97.7 %
Ba	554,605	485,166	1.4 %	899,253	930,321	1.9 %
B	94,185	79,058	0.2 %	104,443	117,989	0.2 %
Caa	20,020	18,540	0.1 %	38,484	39,354	0.1 %
Ca and lower	40,664	39,634	0.1 %	61,352	66,770	0.1 %
Total below investment grade	709,474	622,398	1.8 %	1,103,532	1,154,434	2.3 %
	39,400,423	34,779,982	100.0 %	44,489,935	48,798,309	100.0 %
Coinsurance investments (1)	5,465,596	5,024,635		2,509,248	2,507,634	
	$ 44,866,019	$ 39,804,617		$ 46,999,183	$ 51,305,943	

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The NAIC's Securities Valuation Office ("SVO") is responsible for the day-to-day credit quality assessment of securities owned by state regulated insurance companies. The purpose of such assessment and valuation is for determining regulatory capital requirements and regulatory reporting. Insurance companies report ownership to the SVO when such securities are eligible for regulatory filings. The SVO conducts credit analysis on these securities for the purpose of assigning a NAIC designation and/or unit price. Typically, if a security has been rated by an NRSRO, the SVO utilizes that rating and assigns a NAIC designation based upon the following system:

NAIC Designation	NRSRO Equivalent Rating
1	Aaa/Aa/A
2	Baa
3	Ba
4	B
5	Caa
6	Ca and lower

The NAIC introduced 20 NAIC designation modifiers that are applied to each NAIC designation to determine a security's NAIC designation category. New risk-based capital charges for each of the 20 designated categories for reporting were effective beginning December 31, 2021.

For most of the bonds held in our portfolio the NAIC designation matches the NRSRO equivalent rating. However, for certain loan-backed and structured securities, as defined by the NAIC, the NAIC rating is not always equivalent to the NRSRO rating presented in the previous table. The NAIC has adopted revised rating methodologies for certain loan-backed and structured securities comprised of non-agency residential mortgage backed securities ("RMBS") and commercial mortgage backed securities ("CMBS"). The NAIC's objective with the revised rating methodologies for these structured securities is to increase the accuracy in assessing expected losses and use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from structured securities.

The use of this process by the SVO may result in certain non-agency RMBS and CMBS being assigned an NAIC designation that is different than the equivalent NRSRO rating. The NAIC designations for non-agency RMBS and CMBS are based on security level expected losses as modeled by an independent third party (engaged by the NAIC) and the statutory carrying value of the security, including any purchase discounts or impairment charges previously recognized. Evaluation of non-agency RMBS and CMBS held by insurers using the NAIC rating methodologies is performed on an annual basis.

Our fixed maturity security portfolio is managed to minimize risks such as defaults or impairments while earning a sufficient and stable return on our investments. Our strategy with respect to our fixed maturity securities portfolio has been to invest primarily in investment grade securities. Investment grade is NAIC 1 and 2 securities and Baa3/BBB- and better securities on the NRSRO scale. We expect this strategy to meet the objective of minimizing risk while also managing asset capital charges on a regulatory capital basis.

A summary of our fixed maturity securities by NAIC designation is as follows:

	December 31, 2022				December 31, 2021			
NAIC Designation	Amortized Cost	Fair Value	Carrying Amount	Percentage of Total Carrying Amount	Amortized Cost	Fair Value	Carrying Amount	Percentage of Total Carrying Amount
	(Dollars in thousands)				(Dollars in thousands)			
1	$ 24,466,961	$ 21,752,775	$ 21,752,775	62.5 %	$ 25,378,938	$ 28,006,835	$ 28,006,835	57.4 %
2	14,185,506	12,398,001	12,398,001	35.7 %	18,028,077	19,667,529	19,667,529	40.3 %
3	562,190	490,198	490,198	1.4 %	909,173	941,071	941,071	2.0 %
4	109,409	91,495	91,495	0.3 %	133,070	147,160	147,160	0.3 %
5	61,721	36,738	36,738	0.1 %	16,496	15,357	15,357	— %
6	14,636	10,775	10,775	— %	24,181	20,357	20,357	— %
	39,400,423	34,779,982	34,779,982	100.0 %	44,489,935	48,798,309	48,798,309	100.0 %
Coinsurance investments (1)	5,465,596	5,024,635	5,024,635		2,509,248	2,507,634	2,507,634	
	$ 44,866,019	$ 39,804,617	$ 39,804,617		$ 46,999,183	$ 51,305,943	$ 51,305,943	

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The amortized cost and fair value of fixed maturity securities at December 31, 2022, by contractual maturity are presented in *Note 3 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Unrealized Losses

The amortized cost and fair value of fixed maturity securities that were in an unrealized loss position were as follows:

	Number of Securities	Amortized Cost	Unrealized Losses, Net of Allowance	Allowance for Credit Losses	Fair Value
			(Dollars in thousands)		
December 31, 2022					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	27	$ 165,746	$ (4,637)	$ —	$ 161,109
States, municipalities and territories	514	3,265,080	(574,814)	—	2,690,266
Foreign corporate securities and foreign governments	43	590,944	(74,151)	—	516,793
Corporate securities	2,103	21,393,656	(3,224,609)	(3,214)	18,165,833
Residential mortgage backed securities	219	1,235,672	(126,368)	(133)	1,109,171
Commercial mortgage backed securities	339	3,750,331	(391,966)	—	3,358,365
Other asset backed securities	567	4,579,149	(382,563)	—	4,196,586
	3,812	34,980,578	(4,779,108)	(3,347)	30,198,123
Coinsurance investments (1)	698	3,085,834	(504,739)	—	2,581,095
	4,510	$ 38,066,412	$ (5,283,847)	$ (3,347)	$ 32,779,218
December 31, 2021					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	8	$ 761,102	$ (124)	$ —	$ 760,978
States, municipalities and territories	42	173,106	(2,485)	(2,776)	167,845
Foreign corporate securities and foreign governments	3	34,673	(801)	—	33,872
Corporate securities	176	1,433,317	(26,035)	—	1,407,282
Residential mortgage backed securities	74	280,044	(2,093)	(70)	277,881
Commercial mortgage backed securities	89	795,405	(16,553)	—	778,852
Other asset backed securities	577	3,118,385	(50,018)	—	3,068,367
	969	6,596,032	(98,109)	(2,846)	6,495,077
Coinsurance investments (1)	458	1,327,173	(14,261)	—	1,312,912
	1,427	$ 7,923,205	$ (112,370)	$ (2,846)	$ 7,807,989

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The unrealized losses at December 31, 2022 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2022. Approximately 98% and 83% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2022 and 2021, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

The increase in unrealized losses from December 31, 2021 to December 31, 2022 was primarily related to an increase in treasury yields during the twelve months ended December 31, 2022. The 10-year U.S. Treasury yields at December 31, 2022 and December 31, 2021 were 3.88% and 1.52%, respectively. The 30-year U.S. Treasury yields at December 31, 2022 and December 31, 2021 were 3.97% and 1.90%, respectively.

The following table sets forth the composition by credit quality (NAIC designation) of fixed maturity securities with gross unrealized losses:

NAIC Designation	Carrying Value of Securities with Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses (1)	Percent of Total
	(Dollars in thousands)			
December 31, 2022				
1	$ 18,396,691	60.9 %	$ (2,836,027)	59.4 %
2	11,207,008	37.1 %	(1,825,520)	38.2 %
3	465,867	1.6 %	(72,976)	1.5 %
4	89,686	0.3 %	(17,922)	0.4 %
5	29,075	0.1 %	(25,037)	0.5 %
6	9,796	— %	(1,626)	— %
	30,198,123	100.0 %	(4,779,108)	100.0 %
Coinsurance investments (2)	2,581,095		(504,739)	
	$ 32,779,218		$ (5,283,847)	
December 31, 2021				
1	$ 3,825,403	58.9 %	$ (33,823)	34.4 %
2	2,233,761	34.4 %	(47,154)	48.1 %
3	376,933	5.8 %	(13,723)	14.0 %
4	33,229	0.5 %	(1,083)	1.1 %
5	9,506	0.1 %	(1,140)	1.2 %
6	16,244	0.3 %	(1,186)	1.2 %
	6,495,076	100.0 %	(98,109)	100.0 %
Coinsurance investments (2)	1,312,912		(14,261)	
	$ 7,807,988		$ (112,370)	

(1) Gross unrealized losses have been adjusted to reflect the allowance for credit loss of $3.3 million and $2.8 million as of December 31, 2022 and 2021, respectively.

(2) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022 and 2021, along with a description of the factors causing the unrealized losses is presented in *Note 3 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

The amortized cost and fair value of fixed maturity securities in an unrealized loss position and the number of months in a continuous unrealized loss position (fixed maturity securities that carry an NRSRO rating of BBB/Baa or higher are considered investment grade) were as follows:

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
			(Dollars in thousands)	
December 31, 2022				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	984	$ 6,296,895	$ 5,968,793	$ (328,102)
Six months or more and less than twelve months	2,308	24,207,057	20,481,666	(3,725,391)
Twelve months or greater	427	3,761,294	3,153,240	(608,054)
Total investment grade	3,719	34,265,246	29,603,699	(4,661,547)
Below investment grade:				
Less than six months	12	51,711	47,494	(4,217)
Six months or more and less than twelve months	34	319,964	265,726	(54,238)
Twelve months or greater	47	340,310	281,204	(59,106)
Total below investment grade	93	711,985	594,424	(117,561)
	3,812	34,977,231	30,198,123	(4,779,108)
Coinsurance investments (2)	698	3,085,834	2,581,095	(504,739)
	4,510	$ 38,063,065	$ 32,779,218	$ (5,283,847)
December 31, 2021				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	567	$ 4,255,321	$ 4,223,368	$ (31,953)
Six months or more and less than twelve months	39	132,110	130,156	(1,954)
Twelve months or greater	281	1,752,779	1,705,640	(47,139)
Total investment grade	887	6,140,210	6,059,164	(81,046)
Below investment grade:				
Less than six months	11	43,745	42,994	(751)
Six months or more and less than twelve months	7	28,544	25,706	(2,838)
Twelve months or greater	64	380,686	367,213	(13,473)
Total below investment grade	82	452,975	435,913	(17,062)
	969	6,593,185	6,495,077	(98,108)
Coinsurance investments (2)	458	1,327,173	1,312,912	(14,261)
	1,427	$ 7,920,358	$ 7,807,989	$ (112,369)

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $3.3 million and $2.8 million as of December 31, 2022 and 2021, respectively.

(2) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The amortized cost and fair value of fixed maturity securities (excluding U.S. Government and agencies) segregated by investment grade (NRSRO rating of BBB/Baa or higher) and below investment grade that had unrealized losses greater than 20%, when comparing fair value to amortized cost, and the number of months in a continuous unrealized loss position were as follows:

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
			(Dollars in thousands)	
December 31, 2022				
Investment grade:				
Less than six months	333	$ 3,955,378	$ 3,062,075	$ (893,303)
Six months or more and less than twelve months	299	4,496,559	3,146,868	(1,349,691)
Twelve months or greater	1	40,351	26,854	(13,497)
Total investment grade	633	8,492,288	6,235,797	(2,256,491)
Below investment grade:				
Less than six months	8	61,481	47,057	(14,424)
Six months or more and less than twelve months	7	111,990	71,271	(40,719)
Twelve months or greater	—	—	—	—
Total below investment grade	15	173,471	118,328	(55,143)
	648	8,665,759	6,354,125	(2,311,634)
Coinsurance investments (2)	423	1,250,509	859,395	(391,114)
	1,071	$ 9,916,268	$ 7,213,520	$ (2,702,748)
December 31, 2021				
Investment grade:				
Less than six months	—	$ —	$ —	$ —
Six months or more and less than twelve months	—	—	—	—
Twelve months or greater	—	—	—	—
Total investment grade	—	—	—	—
Below investment grade:				
Less than six months	—	—	—	—
Six months or more and less than twelve months	—	—	—	—
Twelve months or greater	—	—	—	—
Total below investment grade	—	—	—	—
	—	—	—	—
Coinsurance investments (2)	—	—	—	—
	—	$ —	$ —	$ —

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $3.3 million and $2.8 million as of December 31, 2022 and 2021, respectively.

(2) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The amortized cost and fair value of fixed maturity securities, by contractual maturity, that were in an unrealized loss position are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

	Available for sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
December 31, 2022		
Due in one year or less	$ 567,599	$ 563,298
Due after one year through five years	3,591,040	3,377,197
Due after five years through ten years	4,844,271	4,280,762
Due after ten years through twenty years	7,443,657	6,377,081
Due after twenty years	8,968,858	6,935,663
	25,415,425	21,534,001
Residential mortgage backed securities	1,235,672	1,109,171
Commercial mortgage backed securities	3,750,331	3,358,365
Other asset backed securities	4,579,149	4,196,586
	34,980,577	30,198,123
Coinsurance investments (1)	3,085,834	2,581,095
	$ 38,066,411	$ 32,779,218
December 31, 2021		
Due in one year or less	$ 762,035	$ 761,590
Due after one year through five years	49,668	46,687
Due after five years through ten years	476,811	467,284
Due after ten years through twenty years	443,909	435,589
Due after twenty years	669,775	658,827
	2,402,198	2,369,977
Residential mortgage backed securities	280,044	277,881
Commercial mortgage backed securities	795,405	778,852
Other asset backed securities	3,118,385	3,068,367
	6,596,032	6,495,077
Coinsurance investments (1)	1,327,173	1,312,912
	$ 7,923,205	$ 7,807,989

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

International Exposure

We hold fixed maturity securities with international exposure. As of December 31, 2022, 14.7% of the carrying value of our fixed maturity securities was comprised of corporate debt securities of issuers based outside of the United States and debt securities of foreign governments. Our fixed maturity securities with international exposure are primarily denominated in U.S. dollars. Our investment professionals analyze each holding for credit risk by economic and other factors of each country and industry. The following table presents our international exposure in our fixed maturity portfolio by country or region:

	December 31, 2022		
	Amortized Cost	Carrying Amount/ Fair Value	Percent of Total Carrying Amount
	(Dollars in thousands)		
Europe	$ 2,285,608	$ 1,994,351	5.7 %
Asia/Pacific	383,900	324,205	0.9 %
Latin America	313,097	272,291	0.8 %
Non-U.S. North America	1,178,177	1,045,695	3.0 %
Australia & New Zealand	927,819	815,440	2.3 %
Other	795,657	696,191	2.0 %
	5,884,258	5,148,173	14.7 %
Coinsurance investments (1)	1,036,513	909,094	
	$ 6,920,771	$ 6,057,267	

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

All of the securities presented in the table above are investment grade (NAIC designation of either 1 or 2), except for the following:

	December 31, 2022	
	Amortized Cost	Carrying Amount/ Fair Value
	(Dollars in thousands)	
Europe	$ 96,525	$ 82,618
Asia/Pacific	62	52
Latin America	45,570	37,194
Non-U.S. North America	23,209	19,911
Australia & New Zealand	219	182
Other	91,588	62,509
	257,173	202,466
Coinsurance investments (1)	32,889	20,123
	$ 290,062	$ 222,589

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Watch List

At each balance sheet date, we identify invested assets which have characteristics (i.e., significant unrealized losses compared to amortized cost and industry trends) creating uncertainty as to our future assessment of credit losses. As part of this assessment, we review not only a change in current price relative to amortized cost but the issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength. For corporate issuers, we evaluate the financial stability and quality of asset coverage for the securities relative to the term to maturity for the issues we own. For structured securities, we evaluate changes in factors such as collateral performance, default rates, loss severity and expected cash flows. At December 31, 2022, the amortized cost and fair value of securities on the watch list (all fixed maturity securities) are as follows:

General Description	Number of Securities	Amortized Cost	Allowance for Credit Losses	Amortized Cost, Net of Allowance	Net Unrealized Losses, Net of Allowance	Fair Value
			(Dollars in thousands)			
States, municipalities and territories	1	$ 20,657	$ —	$ 20,657	$ (3,344)	$ 17,313
Corporate securities - Public securities	6	20,860	—	20,860	(1,050)	19,810
Corporate securities - Private placement securities	1	10,646	(3,214)	7,432	—	7,432
Residential mortgage backed securities	22	25,095	(133)	24,962	(2,954)	22,008
Commercial mortgage backed securities	8	41,899	—	41,899	(2,752)	39,147
Other asset backed securities	1	2,314	—	2,314	—	2,314
Collateralized loan obligations	16	103,907	—	103,907	(21,239)	82,668
	55	$ 225,378	$ (3,347)	$ 222,031	$ (31,339)	$ 190,692

We expect to recover the unrealized losses, net of allowances, as we did not have the intent to sell and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost basis, net of allowances. Our analysis of these securities and their credit performance at December 31, 2022 is as follows:

States municipalities and territories: The decline in value of this security is primarily due to the security being recently restructured as part of bankruptcy proceedings and uncertainty around the impact of the restructure.

Corporate securities: The corporate securities included on the watch list primarily include a security in the utilities industry that is under financial stress due to the impact of power outages and a security in the retail market which is in an unrealized loss position and for which we have the intent to sell as part of our risk reduction effort.

Structured securities: The structured securities included on the watch list have generally experienced higher levels of stress due to the impact COVID-19 had on the economy. In addition, certain securities are included on the watch list as they are in an unrealized loss position and we have the intent to sell as part of our risk reduction effort.

Credit Losses

We have a policy and process to identify securities in our investment portfolio for which we recognize credit loss. See Critical Accounting Policies and Estimates—Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios and *Note 3 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

During 2022, we recognized $15.0 million of credit losses which includes $10.0 million of credit losses on structured securities primarily due to our intent to sell such securities and $7.1 million of credit losses on corporate securities due to a $3.3 million credit loss on a security and $3.8 million of credit losses on securities due to our intent to sell such securities which were partially offset by a $2.1 million reduction in credit losses primarily due to revised financial outlook on securities related to senior living facilities in the Southeastern region of the United States driven in part by a restructuring of its debt facilities.

During 2021, we recognized credit losses of $6.2 million related to our fixed maturity securities which consisted of $6.9 million of credit losses on commercial mortgage backed securities due to our intent to sell the securities, partially offset by net recoveries on corporate securities, municipal securities and residential mortgage backed securities.

Mortgage Loans on Real Estate

Our financing receivables consist of three mortgage loan portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our commercial mortgage loan portfolio consists of loans with an outstanding principal balance of $3.6 billion as of December 31, 2022 and 2021. This portfolio consists of mortgage loans collateralized by the related properties and is diversified as to property type, location and loan size. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $567.6 million and $408.1 million as of December 31, 2022 and 2021, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $2.8 billion and $1.7 billion as of December 31, 2022 and 2021, respectively. These loans are collateralized by the related properties and are diversified as to location within the United States. Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances.

At December 31, 2022 and 2021, the largest principal amount outstanding for any single commercial mortgage loan was $83.3 million and $81.5 million, respectively, and the average loan size was $5.8 million and $5.3 million, respectively. In addition, the average loan-to-value ratio for commercial and agricultural mortgage loans combined was 51.4% and 52.3% at December 31, 2022 and 2021, respectively, based upon the underwriting and appraisal at the time the loan was made. This loan-to-value ratio is indicative of our conservative underwriting policies and practices for originating mortgage loans and may not be indicative of collateral values at the current reporting date. Our current practice is to only obtain market value appraisals of the underlying collateral at the inception of the loan unless we identify indicators of impairment in our ongoing analysis of the portfolio, in which case, we either calculate a value of the collateral using a capitalization method or obtain a third party appraisal of the underlying collateral. The commercial mortgage loan portfolio is summarized by geographic region and property type in *Note 4 - Mortgage Loans on Real Estate* of our audited consolidated financial statements of this Form 10-K, which is incorporated by reference in this Item 7.

In the normal course of business, we commit to fund mortgage loans up to 90 days in advance. At December 31, 2022, we had commitments to fund commercial mortgage loans totaling $112.8 million, with interest rates ranging from 6.9% to 8.2%. During 2022 and 2021, the commercial mortgage loan industry has been very competitive due to relatively attractive returns that can be realized on mortgage loans. For the year ended December 31, 2022, we received $403.6 million in cash for loans being paid in full compared to $350.6 million for the year ended December 31, 2021. Some of the loans being paid off have either reached their maturity or are nearing maturity. At December 31, 2022, we had commitments to fund agricultural mortgage loans totaling $18.5 million with interest rates ranging from 6.4% to 6.7%, and had commitments to fund residential mortgage loans totaling $288.8 million with interest rates ranging from 7.00% to 12.0%.

See *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a presentation of our valuation allowance, foreclosure activity and troubled debt restructure analysis. We have a process by which we evaluate the credit quality of each of our mortgage loans. This process utilizes each loan's loan-to-value and debt service coverage ratios as primary metrics. See *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a summary of our portfolio by loan-to-value and debt service coverage ratios.

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Commercial, agricultural and residential loans are considered nonperforming when they are 90 days or more past due. Aging of financing receivables is summarized in the following table:

	Current	30-59 days past due	60-89 days past due	Over 90 days past due	Total
As of December 31, 2022:			(Dollars in thousands)		
Commercial mortgage loans	$ 3,554,558	$ —	$ —	$ —	$ 3,554,558
Agricultural mortgage loans	562,828	—	—	3,135	565,963
Residential mortgage loans	2,751,261	62,450	16,924	34,843	2,865,478
Total mortgage loans	$ 6,868,647	$ 62,450	$ 16,924	$ 37,978	$ 6,985,999
As of December 31, 2021:					
Commercial mortgage loans	$ 3,628,502	$ —	$ —	$ —	$ 3,628,502
Agricultural mortgage loans	406,999	—	—	—	406,999
Residential mortgage loans	1,631,999	34,447	3,030	7,045	1,676,521
Total mortgage loans	$ 5,667,500	$ 34,447	$ 3,030	$ 7,045	$ 5,712,022

Private Assets

The following table is a breakout of our private asset investments as of December 31, 2022 and 2021.

	December 31, 2022		December 31, 2021	
Private Asset Class	**Amount**	**Percent**	**Amount**	**Percent**
	(Dollars in thousands)			
Real estate loans				
Commercial	$ 3,385	6.8 %	$ 3,591	6.6 %
Residential	3,002	6.0 %	1,772	3.2 %
Agricultural	566	1.2 %	407	0.8 %
Total real estate loans	6,953	14.0 %	5,770	10.6 %
Private credit				
Middle market	1,493	3.0 %	1,062	2.0 %
Specialty finance	443	0.9 %	—	— %
Infrastructure debt	555	1.1 %	508	0.9 %
Total private credit	2,491	5.0 %	1,570	2.9 %
Equity				
Residential real estate	961	1.9 %	344	0.6 %
Commercial real estate	117	0.2 %	5	— %
Infrastructure	91	0.2 %	73	0.1 %
Core private equity	364	0.7 %	253	0.5 %
Total equity	1,533	3.0 %	675	1.2 %
Total private assets	$ 10,977	22.0 %	$ 8,015	14.7 %

The investment balances within the table above include fixed maturity securities and mortgage loans at amortized cost and real estate and other investments at carrying values as reflected in the consolidated balance sheets.

Derivative Instruments

Our derivative instruments consist of call options purchased to provide the income needed to fund the annual index credits on our fixed index annuity products and interest rate swaps used to hedge against changes in fair value due to changes in interest rates. The fair value of the call options is based upon the amount of cash that would be required to settle the call options obtained from the counterparties adjusted for the nonperformance risk of the counterparty. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options. The fair value of the pay fixed/receive float interest rate swaps are determined using internal valuation models that generate discounted expected future cash flows by constructing a projected Secure Overnight Financing Rate (SOFR) curve over the term of the swap.

Our interest rate swaps qualify for hedge accounting and our call options do not qualify for hedge accounting. Any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. A presentation of our derivative instruments along with a discussion of the business strategy involved with our derivatives for both our derivatives designated as hedging instruments and our derivatives not designated as hedging instruments is included in *Note 6 - Derivative Instruments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Liabilities

Our liability for policy benefit reserves decreased to $61.1 billion at December 31, 2022 compared to $65.5 billion at December 31, 2021. The decrease in policy benefit reserves is due to additional in-force policy reserves being ceded to third party reinsurers during 2022 as well as funds returned to policyholders being in excess of net deposits and interest and index credits credited to policyholders during 2022. Substantially all of our annuity products have a surrender charge feature designed to reduce the risk of early withdrawal or surrender of the policies and to compensate us for our costs if policies are withdrawn early. Our lifetime income benefit rider also reduces the risk of early withdrawal or surrender of the policies as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. Notwithstanding these policy features, the withdrawal rates of policyholder funds may be affected by changes in interest rates and other factors.

See *Note 10 - Notes and Loan Payable* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7 for discussion of our notes and loan payable.

See *Note 11 - Subordinated Debentures* to our audited consolidated financial statements for additional information concerning our subordinated debentures payable to, and the preferred securities issued by, our subsidiary trusts.

Liquidity and Capital Resources

Liquidity for Insurance Operations

Our insurance subsidiaries' primary sources of cash flow are annuity deposits, investment income, and proceeds from the sale, maturity and calls of investments. The primary uses of funds are investment purchases, payments to policyholders in connection with surrenders and withdrawals, policy acquisition costs and other operating expenses.

Liquidity requirements are met primarily by funds provided from operations. Our life subsidiaries generally receive adequate cash flow from annuity deposits and investment income to meet their obligations. Annuity liabilities are generally long-term in nature. However, a primary liquidity concern is the risk of an extraordinary level of early policyholder withdrawals. We include provisions within our annuity policies, such as surrender charges and bonus vesting, which help limit and discourage early withdrawals. Our lifetime income benefit rider also limits the risk of early withdrawals as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. At December 31, 2022, approximately 90% or $43.0 billion of our annuity liabilities were subject to penalty upon surrender, with a weighted average remaining surrender charge period of 4.6 years and a weighted average surrender charge percentage of 7.9%.

Our insurance subsidiaries generally have adequate cash flows from annuity deposits and investment income to meet their policyholder and other obligations. Net cash flows from annuity deposits and funds returned to policyholders as surrenders, withdrawals and death claims were $(1.9) billion for the year ended December 31, 2022 compared to $1.3 billion for the year ended December 31, 2021 with the decrease attributable to a $3.1 billion decrease in net annuity deposits after coinsurance and a $66.9 million (after coinsurance) increase in funds returned to policyholders. We continue to invest the net proceeds from policyholder transactions and investment activities in high quality fixed maturity securities, mortgage loans, and other high quality private assets. We have a highly liquid investment portfolio that can be used to meet policyholder and other obligations as needed. In addition, we intend to hold approximately 1% to 3% of our investment portfolio in cash and cash equivalents. Scheduled principal repayments, calls and tenders of available for sale fixed maturity securities and net investment income were $2.8 billion and $2.3 billion, respectively, during the year ended December 31, 2022.

Liquidity of Parent Company

We, as the parent company, are a legal entity separate and distinct from our subsidiaries, and have no business operations. We need liquidity primarily to service our debt (senior notes, term loan and subordinated debentures issued to a subsidiary trust), pay operating expenses and pay dividends to common and preferred stockholders. Our assets consist primarily of the capital stock and surplus notes of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our subsidiaries, such as payments under our investment advisory agreements and tax allocation agreement with our subsidiaries. These sources provide adequate cash flow for us to meet our current and reasonably foreseeable future obligations and we expect they will be adequate to fund our parent company cash flow requirements in 2023.

The ability of our life insurance subsidiaries to pay dividends or distributions, including surplus note payments, will be limited by applicable laws and regulations of the states in which our life insurance subsidiaries are domiciled, which subject our life insurance subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory capital and surplus at the preceding December 31. For 2023, up to $369.3 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of statutory earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities in the life subsidiary's state of domicile. American Equity Life had $2.0 billion of statutory earned surplus at December 31, 2022.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, state insurance laws and regulations require that the statutory surplus of our life subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for their financial needs. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from rating agencies. Both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect the cash available to us from insurance subsidiaries. As of December 31, 2022, we estimate American Equity Life has sufficient statutory capital and surplus, combined with capital available to the holding company, to maintain its insurer financial strength rating objective. However, this capital may not be sufficient if significant future losses are incurred or a rating agency modifies its rating criteria and access to additional capital could be limited.

On November 30, 2020 we issued 9,106,042 common shares to Brookfield at a value of $37.00 per share for net proceeds of $333.6 million. On January 7, 2022, we issued an additional 6,775,000 shares to Brookfield at a value of $37.33 per share for net proceeds of $252.9 million.

From the 2020 inception of the share repurchase program through December 31, 2022, we have repurchased approximately 23.9 million shares of our common stock at an average price of $34.74 per common share, including 14.8 million shares repurchased during the year ended December 31, 2022. As of December 31, 2022, we had $569 million remaining under our share repurchase program.

Cash and cash equivalents of the parent holding company at December 31, 2022, were $531.3 million. We also have the ability to issue equity, debt or other types of securities through one or more methods of distribution. The terms of any offering would be established at the time of the offering, subject to market conditions. On February 15, 2022, we established a new five-year credit agreement for $300 million in unsecured delayed draw term loan commitments. On July 6, 2022, we borrowed $300 million under this agreement which matures on February 15, 2027.

In January 2022, American Equity Life became a member of the Federal Home Loan Bank of Des Moines ("FHLB") which provides access to collateralized borrowings and other FHLB products. We may also issue funding agreements to the FHLB. Both the collateralized borrowings and funding agreements require us to pledge qualified assets as collateral. Obligations arising from funding agreements, which totaled $300.0 million as of December 31, 2022 are used in investment spread activities.

Statutory accounting practices prescribed or permitted for our life subsidiaries differ in many respects from those governing the preparation of financial statements under GAAP. Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items. Information as to statutory capital and surplus and statutory net income (loss) for our life subsidiaries as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 is included in *Note 13 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements.

In the normal course of business, we enter into financing transactions, lease agreements, or other commitments. These commitments may obligate us to certain cash flows during future periods. The following table summarizes such obligations as of December 31, 2022.

	Payments Due by Period				
	Total	Less Than 1 year	1–3 Years	4–5 Years	After 5 Years
	(Dollars in thousands)				
Annuity and single premium universal life products (1)	$ 63,211,336	$ 4,022,156	$ 15,083,920	$ 7,398,151	$ 36,707,109
Notes and loan payable, including interest payments (2)	1,028,981	50,714	154,288	823,979	—
Subordinated debentures, including interest payments (3)	215,825	4,850	9,700	9,700	191,575
Operating leases	28,503	3,792	8,097	5,601	11,013
Mortgage loan funding and other investments	2,390,862	2,390,862	—	—	—
Total	$ 66,875,507	$ 6,472,374	$ 15,256,005	$ 8,237,431	$ 36,909,697

(1) Amounts shown in this table are projected payments through the year 2073 which we are contractually obligated to pay to our annuity policyholders. The payments are derived from actuarial models which assume a level interest rate scenario and incorporate assumptions regarding mortality and persistency, when applicable. These assumptions are based on our historical experience.

(2) Period that principal amounts are due is determined by the earliest of the call/put date or the maturity date of each note payable.

(3) Amount shown is net of equity investments in the capital trusts due to the contractual right of offset upon repayment of the notes.

Critical Accounting Policies & Estimates

The increasing complexity of the business environment and applicable authoritative accounting guidance require us to closely monitor our accounting policies. We have identified six critical accounting policies and estimates that are complex and require significant judgment. The following summary of our critical accounting policies and estimates is intended to enhance your ability to assess our financial condition and results of operations and the potential volatility due to changes in estimates.

Valuation of Investments

Our fixed maturity securities classified as available for sale are reported at fair value. Unrealized gains and losses, if any, on these securities are included directly in stockholders' equity as a component of accumulated other comprehensive income (loss), net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves. Unrealized gains and losses represent the difference between the amortized cost or cost basis and the fair value of these investments. We use significant judgment within the process used to determine fair value of these investments.

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

We categorize financial instruments recorded at fair value in the consolidated balance sheets as follows:

Level 1 - Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level 2 - Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.

Level 3 - Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

The following table presents the fair value of fixed maturity securities, available for sale, by pricing source and hierarchy level as of December 31, 2022 and 2021, respectively:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Dollars in thousands)			
December 31, 2022				
Priced via third party pricing services	$ 26,184	$ 30,061,381	$ —	$ 30,087,565
Priced via independent broker quotations	—	—	—	—
Priced via other methods	—	4,034,863	657,554	4,692,417
	$ 26,184	$ 34,096,244	$ 657,554	$ 34,779,982
% of Total	0.1 %	98.0 %	1.9 %	100.0 %
Coinsurance investments (1)	—	4,836,923	187,712	5,024,635
	$ 26,184	$ 38,933,167	$ 845,266	$ 39,804,617
December 31, 2021				
Priced via third party pricing services	$ 32,742	$ 46,930,830	$ —	$ 46,963,572
Priced via independent broker quotations	—	—	—	—
Priced via other methods	—	2,005,747	—	2,005,747
	$ 32,742	$ 48,936,577	$ —	$ 48,969,319
% of Total	0.1 %	99.9 %	— %	100.0 %
Coinsurance investments (1)	32,695	2,303,929	—	2,336,624
	$ 65,437	$ 51,240,506	$ —	$ 51,305,943

(1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Management's assessment of all available data when determining fair value of our investments is necessary to appropriately apply fair value accounting.

We utilize independent pricing services in estimating the fair values of investment securities. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

- reported trading prices,
- benchmark yields,
- broker-dealer quotes,
- benchmark securities,
- bids and offers,
- credit ratings,
- relative credit information, and
- other reference data.

The independent pricing services also take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary.

The independent pricing services provide quoted market prices when available. Quoted prices are not always available due to market inactivity. When quoted market prices are not available, the third parties use yield data and other factors relating to instruments or securities with similar characteristics to determine fair value for securities that are not actively traded. We generally obtain one value from our primary external pricing service. In situations where a price is not available from this service, we may obtain quotes or prices from additional parties as needed. Market indices of similar rated asset class spreads are considered for valuations and broker indications of similar securities are compared. Inputs used by the broker include market information, such as yield data and other factors relating to instruments or securities with similar characteristics. Valuations and quotes obtained from third party commercial pricing services are non-binding and do not represent quotes on which one may execute the disposition of the assets.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2022 and 2021.

Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios

The process to identify available for sale fixed maturity securities that could potentially require an allowance for credit loss involves significant judgment and estimates by management. We review and analyze all fixed maturity securities on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost or cost basis of each fixed maturity security that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of fixed maturity securities for credit loss is a quantitative and qualitative process, which is subject to risks and uncertainties.

We have a policy and process to identify fixed maturity securities that could potentially have a credit loss. This process involves monitoring market events and other items that could impact issuers. The evaluation includes but is not limited to such factors as:

- the extent to which fair value is less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;
- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether an allowance for credit loss should be established for fixed maturity securities by assessing all facts and circumstances surrounding each security. Where the decline in fair value of fixed maturity securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these securities to have credit loss because we do not intend to sell these securities and it is not more likely than not we will be required to sell these securities before a recovery of amortized cost, which may be maturity.

If we intend to sell a fixed maturity security or if it is more likely than not that we will be required to sell a security before recovery of its amortized cost basis, credit loss has occurred and the difference between amortized cost and fair value will be recognized as a loss in operations.

If we do not intend to sell and it is not more likely than not we will be required to sell the fixed maturity security but also do not expect to recover the entire amortized cost basis of the security, a credit loss would be recognized in operations in the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The recognized credit loss is limited to the unrealized loss on the security.

The determination of the credit loss component of a mortgage backed security is based on a number of factors. The primary consideration in this evaluation process is the issuer's ability to meet current and future interest and principal payments as contractually stated at time of purchase. Our review of these securities includes an analysis of the cash flow modeling under various default scenarios considering independent third party benchmarks, the seniority of the specific tranche within the structure of the security, the composition of the collateral and the actual default, loss severity and prepayment experience exhibited. With the input of third party assumptions for default projections, loss severity and prepayment expectations, we evaluate the cash flow projections to determine whether the security is performing in accordance with its contractual obligation.

We utilize the models from a leading structured product software specialist serving institutional investors. These models incorporate each security's seniority and cash flow structure. In circumstances where the analysis implies a potential for principal loss at some point in the future, we use our "best estimate" cash flow projection discounted at the security's effective yield at acquisition to determine the amount of our potential credit loss associated with this security. The discounted expected future cash flows equates to our expected recovery value. Any shortfall of the expected recovery when compared to the amortized cost of the security will be recorded as credit loss.

The cash flow modeling is performed on a security-by-security basis and incorporates actual cash flows on the residential mortgage backed securities through the current period, as well as the projection of remaining cash flows using a number of assumptions including default rates, prepayment rates and loss severity rates. The default curves we use are tailored to the Prime or Alt-A residential mortgage backed securities that we own, which assume lower default rates and loss severity for Prime securities versus Alt-A securities. These default curves are scaled higher or lower depending on factors such as current underlying mortgage loan performance, rating agency loss projections, loan to value ratios, geographic diversity, as well as other appropriate considerations.

The determination of the credit loss component of a corporate bond is based on the underlying financial performance of the issuer and their ability to meet their contractual obligations. Considerations in our evaluation include, but are not limited to, credit rating changes, financial statement and ratio analysis, changes in management, significant changes in credit spreads, breaches of financial covenants and a review of the economic outlook for the industry and markets in which they trade. In circumstances where an issuer appears unlikely to meet its future obligation, an estimate of credit loss is determined. Credit loss is calculated using default probabilities as derived from the credit default swaps markets in conjunction with recovery rates derived from independent third party analysis or a best estimate of credit loss. This credit loss rate is then incorporated into a present value calculation based on an expected principal loss in the future discounted at the yield at the date of purchase and compared to amortized cost to determine the amount of credit loss associated with the security.

For fixed maturity securities which we do not intend to sell and it is not more likely than not we will be required to sell, but our intent changes due to changes or events that could not have been reasonably anticipated, a credit loss may be recognized in operations. Unrealized losses may be recognized in future periods in operations should we later conclude that the decline in fair value below amortized cost represents a credit loss pursuant to our accounting policy described above. The use of different methodologies and assumptions to determine the fair value of investments and the timing and amount of impairments may have a material effect on the amounts presented in our consolidated financial statements.

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses.

The valuation allowances for each of our mortgage loan portfolios are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in each portfolio, historical economic data and loss information, and current and forecasted economic conditions. Key loan characteristics impacting the estimate for our commercial mortgage loan portfolio include the current state of the borrower’s credit quality, which considers factors such as loan-to-value (“LTV”) and debt service coverage (“DSC”) ratios, loan performance, underlying collateral type, delinquency status, time to maturity, and original credit scores. Key loan characteristics impacting the estimate for our agricultural and residential mortgage loan portfolios include the current state of the borrowers' credit quality, delinquency status, time to maturity and original credit scores.

Policy Liabilities for Fixed Index Annuities

We offer a variety of fixed index annuities with crediting strategies linked to the S&P 500 Index and other equity and bond market indices. We purchase call options on the applicable indices as an investment to provide the income needed to fund the annual index credits on the index products. See Financial Condition—Derivative Instruments. Certain derivative instruments embedded in the fixed index annuity contracts are recognized in the consolidated balance sheets at their fair values and changes in fair value are recognized immediately in our consolidated statements of operations in accordance with accounting standards for derivative instruments and hedging activities.

Accounting for derivatives prescribes that the contractual obligations for future annual index credits are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. Policy liabilities for fixed index annuities are equal to the sum of the "host" (or guaranteed) component and the embedded derivative component for each fixed index annuity policy. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. We estimate the fair value of the embedded derivative component at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements including lapse, partial withdrawal and mortality rates. Our best estimate assumptions for future policy growth include assumptions for the expected index credits on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. The amounts reported in the consolidated statements of operations as "Interest sensitive and index product benefits" represent amounts credited to policy liabilities pursuant to accounting by insurance companies for certain long-duration contracts which include index credits through the most recent policy anniversary. The amounts reported in the consolidated statements of operations as "Change in fair value of embedded derivatives" equal the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

In general, the change in the fair value of the embedded derivatives will not correspond to the change in fair value of the purchased call options because the purchased call options are generally one year options while the options valued in the embedded derivatives represent the rights of the contract holder to receive index credits over the entire period the fixed index annuities are expected to be in force, which typically exceeds 10 years.

The most sensitive assumptions in determining policy liabilities for fixed index annuities are 1) the rates used to discount the excess projected contract values, 2) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary date and 3) our best estimate for future policy decrements specific to lapse rates.

As indicated above, the discount rates used to discount excess projected contract value are based on applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. If the discount rates used to discount the excess projected contract values at December 31, 2022 were to increase by 100 basis points, our reserves for fixed index annuities would decrease by $336.2 million. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase our reserves for fixed index annuities by $386.4 million.

As of December 31, 2022, we utilized an estimate of 2.40% for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual options costs. If the expected cost of annual call options we purchase in the future to fund index credits beyond the next policy anniversary date were to increase by 25 basis points, our reserves for fixed index annuities would increase by $334.2 million. A decrease of 25 basis points in the expected cost of annual call options would decrease our reserves for fixed index annuities by $298.1 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our reserves for fixed index annuities would decrease by $4.2 million. A decrease in lapse rates of 10% would increase our reserves for fixed index annuities by $3.3million.

Liability for Lifetime Income Benefit Riders

The liability for lifetime income benefit riders is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values recognizing the excess over the expected lives of the underlying policies based on the actual and present value of expected assessments including investment spreads, product charges and fees. The inputs used in the calculation of the liability for lifetime income benefit riders include actual policy values, actual income account values, actual payout factors, actual roll-up rates and our best estimate assumptions for future policy growth, expected utilization of lifetime income benefit riders, which includes the ages at which policyholders are expected to elect to begin to receive lifetime income benefit payments and the percentage of policyholders who elect to receive lifetime income benefit payments, the type of income benefit payments selected upon election and future assumptions for lapse, partial withdrawal and mortality rates. The assumptions are reviewed quarterly and updates to the assumptions are made based on historical results and our best estimates of future experience. The liability for lifetime income benefit riders is included in policy benefit reserves in the consolidated balance sheets and the change in the liability is included in interest sensitive and index product benefits in the consolidated statements of operations. See **Results of Operations for the Three Years Ended December 31, 2022** in this Item 7 for a discussion and presentation of the effects of assumption revisions.

The most sensitive assumptions in the calculation of the liability for lifetime income benefit riders are 1) the expected cost of annual call options we will purchase in the future, 2) the percentage of policyholders who elect to receive lifetime income benefit payments, 3) our best estimate for future policy decrements specific to lapse rates and 4) the net investment earned rate.

We utilize the expected cost of annual call options we will purchase in the future to project policy values and to discount future cash flows. In addition, it is a key component in the calculation of expected assessments in the projection period. As of December 31, 2022, we utilized an estimate of 2.40% for the long-term expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of the cost of our actual call options. If the expected cost of annual call options and fixed crediting rates were to increase by

25 basis points, our liability for lifetime income benefit riders would decrease by $128.8 million. A decrease of 25 basis points in the expected cost of annual call options and fixed crediting rates would increase our liability for lifetime income benefit riders by $111.7 million.

Our assumptions related to the percentage of policyholders who elect to receive lifetime income benefit payments is based on actual experience and our outlook as to future expectations for utilization rates. If the ultimate floor assumption on the percentage of policyholders who elect to receive lifetime income benefit payments was increased by 30% at December 31, 2022, our liability for lifetime income benefit riders would increase by $205.2 million. A decrease by 30% in the ultimate floor assumption on the percentage of policyholders who elect to receive lifetime income benefit payments would decrease our liability for lifetime income benefit riders by $260.6 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our liability for lifetime income benefit riders would decrease by $6.2 million. A decrease in lapse rates of 10% would increase our liability for lifetime income benefit riders by $2.3 million.

The net investment earned rate is a key component in the calculation of expected assessments in the projection period. The net investment earned rate is based on current yields being earned in our invested assets portfolio, future expectations for earned yields and the expected mean reversion period. If the net investment earned rate were to increase 10 basis points, our liability for lifetime income benefit riders would decrease by $23.5 million. A decrease in the net investment earned rate of 10 basis points would increase our liability for lifetime income benefit riders by $24.1 million.

Deferred Policy Acquisition Costs and Deferred Sales Inducements

Costs relating to the successful production of new business are not expensed when incurred but instead are capitalized as deferred policy acquisition costs or deferred sales inducements. Only costs which are expected to be recovered from future policy revenues and gross profits may be deferred.

Deferred policy acquisition costs and deferred sales inducements are subject to loss recognition testing on a quarterly basis or when an event occurs that may warrant loss recognition. Deferred policy acquisition costs consist principally of commissions and certain costs of policy issuance. Deferred sales inducements consist of premium and interest bonuses credited to policyholder account balances.

For annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include the the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; and to a lesser extent, product charges and fees net of expected excess payments for lifetime income benefit riders and certain policy expenses. Actual and expected gross profits for fixed index annuities also include the impact of amounts recorded for the change in fair value of derivatives and the change in fair value of embedded derivatives. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments and credit losses recognized in operations) to be realized from a group of products are updated. Our estimates of future gross profits are based on actuarial assumptions related to the underlying policies terms, lives of the policies, yield on investments supporting the liabilities and level of expenses necessary to maintain the polices over their entire lives. Revisions are made based on historical results and our best estimates of future experience. See **Results of Operations for the Three Years Ended December 31, 2022** in this Item 7 for a discussion and presentation of the effects of assumption revisions.

The most sensitive assumptions used to calculate amortization of deferred policy acquisition costs and deferred sales inducements are 1) the net investment earned rate, 2) our best estimate for future policy decrements specific to lapse rates and 3) the expected cost of annual call options we will purchase in the future.

The net investment earned rate is a key component in the calculation of estimated gross profits. The net investment earned rate is based on current yields being earned in our invested assets portfolio, future expectations for earned yields and the expected mean reversion period. If the net investment earned rate were to increase 10 basis points, our combined balance for deferred policy acquisition costs and deferred sales inducements at December 31, 2022 would increase by $99.7 million. A decrease in the net investment earned rate of 10 basis points would decrease our combined balance for deferred policy acquisition costs and deferred sales inducements at December 31, 2022 by $101.6 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our combined balance of deferred policy acquisition costs and deferred sales inducements would decrease by $75.8 million. A decrease in lapse rates of 10% would increase our combined balance of deferred policy acquisition costs and deferred sales inducements by $77.0 million.

We utilize the expected cost of annual call options we will purchase in the future to project policy values and to discount future cash flows. In addition, it is a key component in the calculation of expected gross profits in the projection period. As of December 31, 2022, we utilized an estimate of 2.40% for the expected long-term cost of annual call options, which is based on estimated long-term account value growth and a historical review of the cost of our actual call options. If the expected cost of annual call options and fixed crediting rates were to increase by 25 basis points, our combined balance of deferred policy acquisition costs and deferred sales inducements would decrease by $104.4 million. A decrease of 25 basis points in the expected cost of annual call options and fixed crediting rates would decrease our combined balance of deferred policy acquisition costs and deferred sales inducements by $98.9 million.

Deferred Income Taxes

We account for income taxes using the liability method. This method provides for the tax effects of transactions reported in the audited consolidated financial statements for both taxes currently due and deferred. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. A temporary difference is a transaction, or amount of a transaction, that is recognized currently for financial reporting purposes but will not be recognized for tax purposes until a future tax period, or is recognized currently for tax purposes but will not be recognized for financial reporting purposes until a future reporting period. Deferred income taxes are measured by applying enacted tax rates for the years in which the temporary differences are expected to be recovered or settled to the amount of each temporary difference.

The realization of deferred income tax assets is primarily based upon management's estimates of future taxable income. Valuation allowances are established when management estimates, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- future taxable income of the necessary character exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable capital income in prior carryback years; and
- tax planning strategies.

Actual realization of deferred income tax assets and liabilities may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances.

The realization of deferred income tax assets related to unrealized losses on our available for sale fixed maturity securities is also based upon our intent to hold these securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss.

New Accounting Pronouncements

See *Note 1 - Significant Accounting Policies* to our audited consolidated financial statements in this Form 10-K beginning on page F-12, which is incorporated by reference in this Item 7, for new accounting pronouncement disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist substantially of investment grade fixed maturity securities, (ii) have projected returns which satisfy our spread targets, and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features, including lifetime income benefit riders, to encourage persistency.

We seek to maximize the total return on our fixed maturity securities through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates, (ii) changes in relative values of individual securities and asset sectors, (iii) changes in prepayment risks, (iv) changes in credit quality outlook for certain securities, (v) liquidity needs, and (vi) other factors.

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the fair value of our investments. The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (caps, participation rates or asset fee rates for fixed index annuities) on substantially all of our annuity liabilities at least annually (subject to minimum guaranteed values). Substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. In addition, a significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities were issued with a lifetime income benefit rider which we believe improves the persistency of such annuity products. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates. When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities.

If interest rates were to increase 10% (40 basis points) from levels at December 31, 2022, we estimate that the fair value of our fixed maturity securities would decrease by approximately $1.1 billion. The impact on stockholders' equity of such decrease (net of income taxes and certain adjustments for changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves) would be a decrease of $422.8 million in accumulated other comprehensive income and a decrease in stockholders' equity. The models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time. However, any such decreases in the fair value of our fixed maturity securities (unless related to credit concerns of the issuer requiring recognition of a credit loss) would generally be realized only if we were required to sell such securities at losses prior to their maturity to meet our liquidity needs, which we manage using the surrender and withdrawal provisions of our annuity contracts and through other means. See Financial Condition—Liquidity for Insurance Operations for a further discussion of the liquidity risk.

The amortized cost of fixed maturity securities that are callable at the option of the issuer, excluding securities with a make-whole provision, was $2.1 billion as of December 31, 2022. During the years ended December 31, 2022 and 2021, we received $0.9 billion and $2.3 billion, respectively, in net redemption proceeds related to the exercise of such call provisions. We have reinvestment risk related to these redemptions to the extent we cannot reinvest the net proceeds in assets with credit quality and yield characteristics similar to the redeemed bonds. Such reinvestment risk typically occurs in a declining rate environment. In addition, we have $6.0 billion of floating rate investments as of December 31, 2022. The majority of these investments are based on the 3 month LIBOR rate and are reset quarterly. We have a plan to transition these investments away from LIBOR in 2023. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of interest credited on annuity liabilities, we have the ability to reduce crediting rates (caps, participation rates or asset fees for fixed index annuities) on most of our annuity liabilities to maintain the spread at our targeted level. At December 31, 2022, approximately 91% of our annuity liabilities were subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates specified in the policies. At December 31, 2022, approximately 14% of our annuity liabilities were at minimum guaranteed crediting rates.

We purchase call options on the applicable indices to fund the annual index credits on our fixed index annuities. These options are primarily one-year instruments purchased to match the funding requirements of the underlying policies. Fair value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for fixed index products. The difference between proceeds received at expiration of these options and index credits, as shown in the following table, is primarily due to under or over-hedging as a result of policyholder behavior being different than our expectations.

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Proceeds received at expiration of options related to such credits	$ 312,133	$ 2,019,477	$ 758,604
Annual index credits to policyholders on their anniversaries	305,292	1,977,888	747,489

On the anniversary dates of the index policies, we purchase new one-year call options to fund the next annual index credits. The risk associated with these prospective purchases is the uncertainty of the cost, which will determine whether we are able to earn our spread on our fixed index business. We manage this risk through the terms of our fixed index annuities, which permit us to change caps, participation rates and asset fees, subject to contractual features. By modifying caps, participation rates or asset fees, we can limit option costs to budgeted amounts, except in cases where the contractual features would prevent further modifications. Based upon actuarial testing which we conduct as a part of the design of our fixed index products and on an ongoing basis, we believe the risk that contractual features would prevent us from controlling option costs is not material.

Item 8. Consolidated Financial Statements and Supplementary Data

The audited consolidated financial statements are included as a part of this report on Form 10-K on pages F-1 through F-59.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

In accordance with the Securities Exchange Act Rules 13a-15(e) and 15d-15(e), our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2022 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

(b) Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based upon criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management has determined that we maintained effective internal control over financial reporting as of December 31, 2022.

The Company's independent registered public accounting firm, Ernst & Young LLP, who audited the consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of management's internal control over financial reporting as of December 31, 2022. This report appears on page F-2 of this annual report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

The information required by Part III is incorporated by reference from our subsequent disclosure to be filed within 120 days after December 31, 2022.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements and *Financial Statement Schedules.* See Index to Consolidated Financial Statements and Schedules on page F-1 for a list of financial statements and financial statement schedules included in this report.

All other schedules to the audited consolidated financial statements required by Article 7 of Regulation S-X are omitted because they are not applicable, not required, or because the information is included elsewhere in the audited consolidated financial statements or notes thereto.

Exhibit Index

Note Regarding Reliance on Statements in Our Contracts and Other Exhibits: We include agreements and other exhibits to this Annual Report on Form 10-K to provide information regarding their terms and not to provide any other factual or disclosure information about us, our subsidiaries or affiliates, or the other parties to the agreements, or for any other purpose. The agreements and other exhibits contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement or other arrangement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have in many cases been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or other exhibit, or such other date or dates as may be specified in the document and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit No.	Description
3.1	Articles of Incorporation, including Articles of Amendment (Incorporated by reference to Exhibit 3.1 to Post-Effective Amendment No. 1 to the Registration Statement on Form 10, filed on July 22, 1999, File No. 000-25985)
3.2	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to Form 10-Q for the period ended June 30, 2000 filed on August 14, 2000, File No. 000-25985)
3.3	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed on October 20, 2003, File No. 333-108794)
3.4	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-3 filed on January 15, 2008, File No. 333-148681)

Exhibit No.	Description
3.5	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.5 to Form 10-Q for the period ended June 30, 2011 filed on August 5, 2011, File No. 001-31911)
3.6	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Form 8-A12B filed on November 20, 2019, File No. 001-31911)
3.7	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.7 to Form 8-A12B filed on June 16, 2020, File No. 001-31911)
3.8	Fourth Amended and Restated Bylaws, redlined for amendments effective November 17, 2022 (Incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 23, 2022)
3.9	Fourth Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.2 to Form 8-K filed on November 23, 2022)
4.1	Indenture dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.2	Trust Preferred Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.3	Trust Common Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and West Des Moines State Bank, as trustee (Incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.4	Instruments of Resignation, Appointment and Acceptance, effective September 12, 2006, among American Equity Investment Life Holding Company, Wilmington Trust Company, West Des Moines State Bank and Delaware Trust Company, National Association (formerly known as First Union Trust Company, National Association) (Incorporated by reference to Exhibit 4.10A to Form 10-K for the year ended December 31, 2008 filed on March 16, 2009)
4.5	Senior Amended and Restated Indenture, dated as of April 22, 2004, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to Amendment No.1 to Form S-3 filed on April 22, 2004).
4.6	Third Supplemental Indenture, dated as of June 16, 2017, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to Form 8-K filed on June 16, 2017)
4.7	Deposit Agreement, dated November 21, 2019, among American Equity Investment Life Holding Company, Computershare Inc. and Computershare Trust Company, N.A., collectively, as depositary, Computershare Inc., as registrar and transfer agent, and the holders from time to time of the depositary receipts (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 21, 2019)
4.8	Form of Depository Receipt (included in Exhibit 4.7)
4.9	Deposit Agreement, dated as of June 17, 2020, among the Company, Computershare Inc. and Computershare Trust Company, N.A., collectively as Depositary, the other parties thereto and the holders from time to time of depositary receipts issued thereunder (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on June 17, 2020)
4.10	Form of Depository Receipt (included in Exhibit 4.9)
4.11	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.11 to Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)
4.12	Subordinated Amended and Restated Indenture, dated as of April 22, 2004, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to Amendment No. 1 to Form S-3 filed on April 22, 2004)
4.13	Form of Certificate for the common stock of American Equity Investment Life Holding Company, par value $1 per share (Incorporated by reference to Exhibit 4.11 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-108794), filed on November 12, 2003)
10.1 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and each of Anant Bhalla, Ronald J. Grensteiner, and Jeffrey D. Lorenzen (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 14, 2012)
10.2 *	American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 18, 2016)
10.3 *	First Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 99.2 to Form S-8 filed on September 8, 2016)
10.4 *	Second Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended March 31, 2019 filed on May 8, 2019)
10.5*	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2019 filed on February 25, 2020)
10.6 *	Offer Letter dated January 2, 2020 by and between American Equity Investment Life Holding Company and Anant Bhalla (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 9, 2020)
10.7 *	American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 24, 2020)
10.8 *	Form of Director Restricted Stock Award Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 4, 2020)
10.9 *	Form of Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.10 *	Form of Performance Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.11 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.12	Investment Agreement, dated as of October 17, 2020, by and among American Equity Investment Life Holding Company, Brookfield Asset Management Inc. and Burgundy Acquisitions I Ltd. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 19, 2020)
10.13 *	Form of Employee Stock Option Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on November 25, 2020)

Exhibit No.	Description
10.14 *	American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.32 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.15 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.16 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.34 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.17 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and James L. Hamalainen and Axel Andre (Incorporated by reference to Exhibit 10.35 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.18 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.36 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.19	Assignment Agreement, Consent and Waiver in Anticipation of Regulatory Form A Filing dated February 28, 2021 by and among Brookfield Asset Management, Inc., Burgundy Acquisitions I Ltd., Brookfield Asset Management Reinsurance Partners Ltd., North End Re (Cayman) SPC and American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.37 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.20 *	Form of Employee Restricted Stock Unit Award Agreement - Performance Based Award, effective April 2021 (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended March 31, 2021 filed on May 10, 2021)
10.21	Amendment to Investment Agreement, dated June 10, 2021, by and among American Equity Investment Life Holding Company, Brookfield Asset Management, Inc., Brookfield Asset Management Reinsurance Partners Ltd. and North End Re (Cayman) SPC (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 10, 2021)
10.22 *	Offer Letter Agreement dated August 25, 2021 between American Equity Investment Life Insurance Company and Axel Andre (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.23 *	American Equity Transition Benefit Plan, dated as of August 6, 2021 (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.24 *	Form of Separation Agreement under American Equity Transition Benefit Plan, effective August 6, 2021 (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.25 *	Offer Letter Agreement dated November 3, 2021 between American Equity Investment Life Insurance Company and Dewayne Lummus (Incorporated by reference to Exhibit 10.33 to Form 10-K for the period ended December 31, 2021 filed on March 1, 2022)
10.26 *	Form of 2022-2024 Performance-Based Employee Restricted Stock Unit Award Agreement under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.27 *	Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Two- or Three-Year Cliff) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.28 *	Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Two-Year Ratable) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.29 *	Second Amendment to the American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan, effective January 1, 2022 (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.30 *	Deferred Long-Term Incentive Cash Plan, effective January 1, 2022 (Incorporated by reference to Exhibit 10.5 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.31 *	Offer Letter dated June 29, 2022, between American Equity Investment Life Insurance Company and Ronald J. Grensteiner (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended June 30, 2022 filed on August 9, 2022)
10.32 *	American Equity Life Employee Indemnification Plan, dated as of September 8, 2022 (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended September 30, 2022 filed on November 8, 2022)
10.33 *	Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Three-Year Ratable) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended September 30, 2022 filed on November 8, 2022)
10.34 *	Offer Letter effective August 2, 2022 between American Equity Investment Life Insurance Company and Nicholas Volpe (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended September 30, 2022 filed on November 8, 2022)
10.35	Credit Agreement, dated as of February 15, 2022, among American Equity Investment Life Holding Company, the lenders party thereto and Citizens Bank, N.A., as administrative agent for the lenders (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 17, 2022)
10.36 *	Separation Agreement between American Equity Investment Life Holding Company and American Equity Investment Life Insurance Company and Phyllis Zanghi executed December 31, 2022
10.37 *	Employee Strategic Incentive Restricted Stock Unit Award Agreement between American Equity Investment Life Holding Company and Anant Bhalla, dated November 29, 2022
10.38 *	First Amendment to American Equity Transition Benefit Plan, effective October 1, 2022
21.2	Subsidiaries of American Equity Investment Life Holding Company
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Description
101	The following materials from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2022 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements, (vii) Schedule I - Summary of Investments - Other Than Investments in Related Parties, (viii) Schedule II — Condensed Financial Information of Registrant, (ix) Schedule III - Supplementary Insurance Information and (x) Schedule IV — Reinsurance.
104	The cover page from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2022 formatted in iXBRL and contained in Exhibit 101.

* Denotes management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 28th day of February 2023.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ ANANT BHALLA

Anant Bhalla,
Chief Executive Officer & President

Pursuant to the requirements of the Securities Exchange Act of 1934, this registration statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title (Capacity)	Date
/s/ ANANT BHALLA Anant Bhalla	Chief Executive Officer, President and Director (Principal Executive Officer)	February 28, 2023
/s/ AXEL ANDRE Axel Andre	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2023
/s/ DEWAYNE LUMMUS Dewayne Lummus	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2023
/s/ DAVID S. MULCAHY David S. Mulcahy	Non-Executive Chairman and Director	February 28, 2023
/s/ JOYCE A. CHAPMAN Joyce A. Chapman	Director	February 28, 2023
/s/ BRENDA J. CUSHING Brenda J. Cushing	Director	February 28, 2023
/s/ DOUGLAS T. HEALY Douglas T. Healy	Director	February 28, 2023
/s/ ROBERT L. HOWE Robert L. Howe	Director	February 28, 2023
/s/ WILLIAM R. KUNKEL William R. Kunkel	Director	February 28, 2023
/s/ ALAN D. MATULA Alan D. Matula	Director	February 28, 2023
/s/ GERARD D. NEUGENT Gerard D. Neugent	Director	February 28, 2023

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

YEARS ENDED DECEMBER 31, 2022, 2021 and 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on Internal Control over Financial Reporting

We have audited American Equity Investment Life Holding Company and subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, American Equity Investment Life Holding Company and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company, as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the year ended December 31, 2022, and the related notes and financial statement schedules I to IV, and our report dated February 28, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Des Moines, Iowa
February 28, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of American Equity Investment Life Holding Company and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes and financial statement schedules I to IV (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Deferred Policy Acquisition Costs (DAC), Deferred Sales Inducements (DSI) and liability for Lifetime Income Benefit Rider (LIBR)

Description of the Matter

At December 31, 2022 DAC, DSI, and LIBR balances were $3.6 billion, $2.6 billion, and $2.3 billion, respectively. As discussed in Note 1 to the consolidated financial statements, DAC and DSI are amortized over the lives of the policies in relation to the emergence of actual gross profits (AGPs) and estimated gross profits (EGPs). The LIBR is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values, and the excess is recognized over the expected lives of the underlying policies based on the actual and present value of expected assessments. The expected assessments are calculated using the same assumptions used to determine DAC and DSI EGPs, including investment spreads, product charges, and fees. There is significant uncertainty inherent in calculating EGPs and expected assessments, as the calculation is sensitive to management's best estimate of assumptions such as investment earned rate, the expected cost of annual call options, lapse, partial withdrawal, mortality, LIBR reset and LIBR utilization. Management's assumptions are adjusted, also known as unlocking, based on actual policyholder behavior and market experience and projecting for expected trends. The unlocking results in amortization being recalculated using the new assumptions for estimated gross profits, resulting either in additional or less cumulative amortization expense. Additionally, the LIBR is adjusted in a similar manner to unlocking of DAC and DSI to reflect the changes in management's assumptions.

Auditing the valuation of the Company's DAC, DSI and LIBR was complex because of the highly judgmental nature of the methods and determination of the assumptions applied to determine the EGPs and expected assessments. The high degree of judgment was primarily due to the sensitivity of the EGPs and expected assessments to the methods and assumptions applied which have a significant effect on the valuation of DAC, DSI, and LIBR.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over management's process for the development of the significant assumptions used in calculating the DAC and DSI EGPs, and assessments used in the valuation of LIBR. These controls included, among others, the review and approval process management has in place for the development of the significant assumptions described above.

To evaluate the judgment used by management in determining the EGPs and expected assessments, among other procedures, we involved actuarial specialists and evaluated the methodology applied by management in determining the EGPs and expected assessments with those used in prior periods and the industry. To evaluate the significant assumptions used by management, we compared policyholder behavior assumptions that we identified as being higher risk to prior actual experience, observable market data or management's estimates of prospective changes in these assumptions. We tested management's recalculation of EGPs and performed independent recalculations of LIBR for a sample of policies, which we compared to the actuarial model used by management.

Fixed Index Annuity Embedded Derivative Liability

Description of the Matter

As of December 31, 2022, the fair value of the Company's fixed index annuity embedded derivative liability totaled \$35.1 billion, net of coinsurance ceded. The Company's fixed index annuity contracts contain crediting features, where amounts credited to the contract's account value are linked to the performance of certain market indices. The index crediting feature is accounted for as an embedded derivative liability and reported at fair value as discussed in Notes 1 and 2 to the consolidated financial statements. Management reviews the assumptions used to determine the fair value of the embedded derivative on a quarterly basis.

Auditing the valuation of the Company's fixed index annuity embedded derivative was complex because of the highly judgmental nature of the determination of the assumptions required to determine the fair value of the embedded derivative. In particular, the fair value was sensitive to the significant assumptions used to determine future policy growth including lapse, partial withdrawal, mortality, LIBR reset, LIBR utilization, and the expected cost of annual call options.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over management's process for the development of the significant assumptions used in measuring the fair value of the embedded derivative for fixed index annuities. These controls included, among others, the review and approval process management has in place for the development of the significant assumptions.

To evaluate the judgment used by management in determining the assumptions used in measuring the fair value of the fixed index annuity embedded derivative, among other procedures, we involved actuarial specialists and evaluated the methodology applied by management in determining the fair value with those used in the prior period and in the industry. To evaluate the significant assumptions used by management in the methodology applied, we compared policyholder behavior assumptions to prior actual experience and management's estimate of prospective changes in the assumptions. In addition, we compared the expected cost of annual call options to actual and historical cost of annual call options. We performed an independent recalculation of the embedded derivative for a sample of policies for comparison with the actuarial model used by management.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

Des Moines, Iowa
February 28, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
American Equity Investment Life Holding Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows of American Equity Investment Life Holding Company and subsidiaries (the Company) for the year ended December 31, 2020, and the related notes (and financial statement schedules II to IV) (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2005 to 2020.

Des Moines, Iowa
March 1, 2021

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	December 31, 2022	December 31, 2021
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of $44,866,019 as of 2022 and $46,999,183 as of 2021; allowance for credit losses of $3,347 as of 2022 and $2,846 as of 2021)	$ 39,804,617	$ 51,305,943
Mortgage loans on real estate (net of allowance for credit losses of $36,972 as of 2022 and $24,024 as of 2021)	6,949,027	5,687,998
Real estate investments related to consolidated variable interest entities	1,056,063	337,939
Limited partnerships and limited liability companies (2022 and 2021 include $684,834 and $168,711 related to consolidated variable interest entities)	1,266,779	520,120
Derivative instruments	431,727	1,277,480
Other investments	1,817,085	1,247,024
Total investments	51,325,298	60,376,504
Cash and cash equivalents (2022 and 2021 include $27,235 and $23,763 related to consolidated variable interest entities)	1,919,669	4,508,982
Coinsurance deposits (net of allowance for credit losses of $8,737 as of 2022 and $2,264 as of 2021)	13,208,399	8,850,608
Accrued investment income (2022 and 2021 include $3,444 and $3 related to consolidated variable interest entities)	497,851	445,097
Deferred policy acquisition costs	3,562,075	2,222,769
Deferred sales inducements	2,593,350	1,546,073
Deferred income taxes	220,873	—
Income taxes recoverable	55,498	166,586
Other assets (2022 and 2021 include $10,690 and $1,524 related to consolidated variable interest entities)	543,128	232,490
Total assets	$ 73,926,141	$ 78,349,109
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	$ 61,118,134	$ 65,477,778
Other policy funds and contract claims	512,790	226,844
Notes and loan payable	792,073	496,250
Subordinated debentures	78,753	78,421
Deferred income taxes	—	541,972
Funds withheld for reinsurance liabilities	6,577,426	3,124,740
Other liabilities (2022 and 2021 include $78,644 and $20,168 related to consolidated variable interest entities)	1,656,509	2,079,977
Total liabilities	70,735,685	72,025,982
Stockholders' equity:		
Preferred stock, Series A; par value $1 per share; $400,000 aggregate liquidation preference; 20,000 shares authorized; issued and outstanding: 2022 and 2021 - 16,000 shares	16	16
Preferred stock, Series B; par value $1 per share; $300,000 aggregate liquidation preference; 12,000 shares authorized; issued and outstanding: 2022 and 2021 - 12,000 shares	12	12
Common stock; par value $1 per share; 200,000,000 shares authorized; issued and outstanding: 2022 - 84,810,255 shares (excluding 24,590,353 treasury shares); 2021 - 92,513,517 shares (excluding 9,936,715 treasury shares)	84,810	92,514
Additional paid-in capital	1,325,316	1,614,374
Accumulated other comprehensive income (loss)	(2,155,055)	1,848,789
Retained earnings	3,914,124	2,767,422
Total stockholders' equity attributable to American Equity Investment Life Holding Company	3,169,223	6,323,127
Noncontrolling interests	21,233	—
Total stockholders' equity	3,190,456	6,323,127
Total liabilities and stockholders' equity	$ 73,926,141	$ 78,349,109

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

	Year Ended December 31,		
	2022	**2021**	**2020**
Revenues:			
Premiums and other considerations	$ 19,739	$ 58,202	$ 39,382
Annuity product charges	230,354	242,631	251,227
Net investment income	2,307,463	2,037,475	2,182,078
Change in fair value of derivatives	(1,138,128)	1,348,735	34,666
Net realized losses on investments	(47,848)	(13,242)	(80,680)
Other revenue	43,921	15,670	—
Loss on extinguishment of debt	—	—	(2,024)
Total revenues	1,415,501	3,689,471	2,424,649
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits	31,099	67,983	49,742
Interest sensitive and index product benefits	889,650	2,681,406	1,543,270
Amortization of deferred sales inducements	408,548	152,692	438,164
Change in fair value of embedded derivatives	(2,352,598)	(358,302)	(1,286,787)
Interest expense on notes and loan payable	32,098	25,581	25,552
Interest expense on subordinated debentures	5,331	5,324	5,557
Amortization of deferred policy acquisition costs	615,300	268,328	649,554
Other operating costs and expenses	239,616	243,712	183,636
Total benefits and expenses	(130,956)	3,086,724	1,608,688
Income before income taxes	1,546,457	602,747	815,961
Income tax expense	325,155	128,755	144,501
Net income	1,221,302	473,992	671,460
Less: Net income available to noncontrolling interests	358	—	—
Net income available to American Equity Investment Life Holding Company stockholders	1,220,944	473,992	671,460
Less: Preferred stock dividends	43,675	43,675	33,515
Net income available to American Equity Investment Life Holding Company common stockholders	$ 1,177,269	$ 430,317	$ 637,945
Earnings per common share	$ 13.00	$ 4.58	$ 6.93
Earnings per common share - assuming dilution	$ 12.86	$ 4.55	$ 6.90
Weighted average common shares outstanding (in thousands):			
Earnings per common share	90,558	93,860	92,055
Earnings per common share - assuming dilution	91,538	94,491	92,392

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Net income	$ 1,221,302	$ 473,992	$ 671,460
Other comprehensive income (loss):			
Change in net unrealized investment gains/losses (1)	(5,064,286)	(441,008)	1,058,289
Reclassification of unrealized investment gains/losses to net income (1)	(7,516)	(4,044)	16,690
Other comprehensive income (loss) before income tax	(5,071,802)	(445,052)	1,074,979
Income tax effect related to other comprehensive income (loss)	1,067,958	90,284	(225,746)
Other comprehensive income (loss)	(4,003,844)	(354,768)	849,233
Comprehensive income (loss)	$ (2,782,542)	$ 119,224	$ 1,520,693

(1) Net of related adjustments to amortization of deferred sales inducements, deferred policy acquisition costs and policy benefit reserves.

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
Balance at December 31, 2019	$ 16	$ 91,107	$ 1,212,311	$ 1,354,324	$ 1,768,764	$ —	$ 4,426,522
Net income for the year	—	—	—	—	671,460	—	671,460
Other comprehensive income	—	—	—	849,233	—	—	849,233
Issuance of preferred stock	12	—	290,248	—	—	—	290,260
Share-based compensation	—	—	10,215	—	—	—	10,215
Issuance of common stock	—	10,053	328,008	—	—	—	338,061
Treasury stock acquired, common	—	(5,439)	(159,655)	—	—	—	(165,094)
Cumulative effect of change in accounting principle	—	—	—	—	(9,295)	—	(9,295)
Dividends on preferred stock	—	—	—	—	(33,515)	—	(33,515)
Dividends on common stock ($0.32 per share)	—	—	—	—	(28,859)	—	(28,859)
Balance at December 31, 2020	28	95,721	1,681,127	2,203,557	2,368,555	—	6,348,988
Net income for the year	—	—	—	—	473,992	—	473,992
Other comprehensive loss	—	—	—	(354,768)	—	—	(354,768)
Share-based compensation	—	—	24,601	—	—	—	24,601
Issuance of common stock	—	460	4,394	—	—	—	4,854
Treasury stock acquired, common	—	(3,667)	(95,748)	—	—	—	(99,415)
Dividends on preferred stock	—	—	—	—	(43,675)	—	(43,675)
Dividends on common stock ($0.34 per share)	—	—	—	—	(31,450)	—	(31,450)
Balance at December 31, 2021	28	92,514	1,614,374	1,848,789	2,767,422	—	6,323,127
Net income for the year	—	—	—	—	1,220,944	358	1,221,302
Other comprehensive loss	—	—	—	(4,003,844)	—	—	(4,003,844)
Share-based compensation	—	—	15,827	—	—	—	15,827
Issuance of common stock	—	7,112	246,866	—	—	—	253,978
Treasury stock acquired, common	—	(14,816)	(551,751)	—	—	—	(566,567)
Dividends on preferred stock	—	—	—	—	(43,675)	—	(43,675)
Dividends on common stock ($0.36 per share)	—	—	—	—	(30,567)	—	(30,567)
Contributions from noncontrolling interests	—	—	—	—	—	20,875	20,875
Balance at December 31, 2022	$ 28	$ 84,810	$ 1,325,316	$ (2,155,055)	$ 3,914,124	$ 21,233	$ 3,190,456

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Operating activities			
Net income	$ 1,221,302	$ 473,992	$ 671,460
Adjustments to reconcile net income to net cash provided by operating activities:			
Interest sensitive and index product benefits	889,650	2,681,406	1,543,270
Amortization of deferred sales inducements	408,548	152,692	438,164
Annuity product charges	(230,354)	(242,631)	(251,227)
Change in fair value of embedded derivatives	(2,352,598)	(358,302)	(1,286,787)
Change in traditional life and accident and health insurance reserves	(26,973)	40,090	8,694
Policy acquisition costs deferred	(198,623)	(307,857)	(255,154)
Amortization of deferred policy acquisition costs	615,300	268,328	649,554
Provision for depreciation and other amortization	14,185	5,527	5,199
Amortization of discounts and premiums on investments	2,640	19,861	57,437
Loss on extinguishment of debt	—	—	2,024
Realized gains/losses on investments	47,848	13,242	80,680
Change in fair value of derivatives	1,138,127	(1,348,704)	(34,668)
Distributions from equity method investments	4,090	12,409	1,968
Deferred income taxes	304,946	128,423	141,071
Share-based compensation	15,827	24,601	10,215
Change in accrued investment income	(52,754)	(47,015)	74,744
Change in income taxes recoverable/payable	111,088	(165,724)	(1,291)
Change in other assets	(30,973)	(4,464)	(849)
Change in other policy funds and contract claims	279,936	(19,809)	(21,865)
Change in collateral held for derivatives	(851,971)	17,423	(72,413)
Change in collateral held for securities lending	—	—	(495,039)
Change in funds withheld from reinsurers	931,600	3,124,740	—
Change in other liabilities	24,987	(221,726)	38,995
Other	(221,647)	(13,338)	804
Net cash provided by operating activities	2,044,181	4,233,164	1,304,986
Investing activities			
Sales, maturities, or repayments of investments:			
Fixed maturity securities, available for sale	9,691,210	4,490,736	8,291,316
Mortgage loans on real estate	1,916,328	862,666	378,812
Derivative instruments	584,055	2,260,959	860,520
Other investments	739,027	368,837	4,324
Acquisitions of investments:			
Fixed maturity securities, available for sale	(8,894,629)	(9,206,733)	(2,429,114)
Mortgage loans on real estate	(3,092,385)	(2,386,712)	(1,121,756)
Real estate investments acquired	(724,484)	(335,767)	—
Derivative instruments	(790,229)	(748,061)	(730,333)
Other investments	(1,842,843)	(1,512,123)	(105,925)
Purchases of property, furniture and equipment	(40,961)	(18,109)	(13,240)
Net cash provided by (used in) investing activities	(2,454,911)	(6,224,307)	5,134,604

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Financing activities			
Receipts credited to annuity policyholder account balances	$ 3,316,221	$ 5,910,024	$ 3,648,936
Coinsurance deposits	(186,637)	(3,187,332)	430,644
Return of annuity policyholder account balances	(5,257,487)	(5,145,193)	(4,040,054)
Repayment of loan payable	(3,750)	—	—
Proceeds from issuance of loan payable	300,000	—	—
Repayment of subordinated debentures	—	—	(81,450)
Proceeds from issuance of common stock, net	253,978	4,854	338,061
Acquisition of treasury stock	(566,567)	(99,415)	(165,094)
Proceeds from issuance of preferred stock, net	—	—	290,260
Change in checks in excess of cash balance	39,901	(3,210)	3,611
Dividends paid on common stock	(30,567)	(31,450)	(28,859)
Dividends paid on preferred stock	(43,675)	(43,675)	(33,515)
Net cash provided by (used in) financing activities	(2,178,583)	(2,595,397)	362,540
Increase (decrease) in cash and cash equivalents	(2,589,313)	(4,586,540)	6,802,130
Cash and cash equivalents at beginning of year	4,508,982	9,095,522	2,293,392
Cash and cash equivalents at end of year	$ 1,919,669	$ 4,508,982	$ 9,095,522
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest expense	$ 36,289	$ 30,000	$ 31,427
Income taxes	4,873	165,537	4,842
Income tax refunds received	98,644	—	—
Non-cash operating activity:			
Deferral of sales inducements	107,691	95,160	93,610

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Nature of Operations

American Equity Investment Life Holding Company ("we", "us", "our" or "parent company"), through its wholly-owned subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York") and Eagle Life Insurance Company ("Eagle Life"), is licensed to sell insurance products in 50 states and the District of Columbia at December 31, 2022. We operate solely in the insurance business.

We market fixed index and fixed rate annuities. Annuity deposits (net of coinsurance) collected in 2022, 2021 and 2020, by product type were as follows:

	Year Ended December 31,		
Product Type	**2022**	**2021**	**2020**
		(Dollars in thousands)	
Fixed index annuities	$ 2,202,688	$ 3,026,211	$ 2,309,580
Annual reset fixed rate annuities	5,535	6,000	7,846
Multi-year fixed rate annuities	139,092	2,452,994	1,295,843
Single premium immediate annuities (SPIA)	18,935	59,816	33,461
	$ 2,366,250	$ 5,545,021	$ 3,646,730

Agents contracted with us through four national marketing organizations accounted for more than 10% of annuity deposits we collected during 2022 representing 22%, 16%, 10%, and 10% individually, of the annuity deposits collected. Agents contracted with us through two national marketing organization accounted for more than 10% of annuity deposits we collected during 2021 representing 14% and 11%, individually, of the annuity deposits collected. Agents contracted with us through two national marketing organization accounted for more than 10% of annuity deposits we collected during 2020 representing 17% and 10%, individually, of the annuity deposits collected.

Consolidation and Basis of Presentation

The consolidated financial statements include our accounts and our wholly-owned subsidiaries: American Equity Life, American Equity Life of New York, Eagle Life, AERL, L.C., AE Capital, LLC., American Equity Investment Properties, L.C., High Trestle Investment Management, LLC., AEL RE Vermont, Inc., AEL Re Bermuda, Ltd, NC Securities Holdco, LLC, AEL Financial Services, LLC, and North Wolf Bay Holdings, LLC. All significant intercompany accounts and transactions have been eliminated.

In addition, our consolidated financial statements include variable interest entities ("VIE"s) in which we are the primary beneficiary. We have relationships with various special purpose entities and other legal entities that must be evaluated to determine if the entities meet the criteria of a VIE. This assessment is performed by reviewing contractual, ownership and other rights and requires use of judgment. First, we determine if we hold a variable interest in an entity by assessing if we have the right to receive expected losses and expected residual returns of the entity. If we hold a variable interest, then the entity is assessed to determine if it is a VIE. An entity is a VIE if the equity at risk is not sufficient to support its activities, if the equity holders lack a controlling financial interest or if the entity is structured with non-substantive voting rights. In addition to the previous criteria, if the entity is a limited partnership or similar entity, it is a VIE if the limited partners do not have the power to direct the entity's most significant activities through substantive kick-out rights or participating rights. A VIE is evaluated to determine the primary beneficiary. The primary beneficiary of a VIE is the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. When we are the primary beneficiary, we are required to consolidate the entity in our financial statements. We reassess our involvement with VIEs on a quarterly basis. For further information about VIEs, refer to *Note 5 – Variable Interest Entities*.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are utilized in the calculation of deferred policy acquisition costs, deferred sales inducements, policy benefit reserves, including the liability for lifetime income benefit riders and the fair value of embedded derivatives in fixed index annuity contracts, valuation of derivatives, valuation of investments, valuation of real estate, allowances for credit losses on available-for-sale fixed maturity securities, allowances for loan losses on mortgage loans and valuation allowances on deferred tax assets. A description of each critical estimate is incorporated within the discussion of the related accounting policies which follow. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized.

Investments

Fixed maturity securities (bonds maturing more than one year after issuance) that may be sold prior to maturity are classified as available for sale. Available for sale securities are reported at fair value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves. Fair values, as reported herein, of fixed maturity securities are based on quoted market prices in active markets when available, or for those fixed maturity securities not actively traded, yield data and other factors relating to instruments or securities with similar characteristics are used. See *Note 2 - Fair Value of Financial Instruments* for more information on the determination of fair value. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives. Amortization/accrual of premiums and discounts on residential and commercial mortgage backed securities incorporate prepayment assumptions to estimate the securities' expected lives. Interest income is recognized as earned.

Available-for-sale fixed maturity securities are subject to an allowance for credit loss and changes in the allowance are reported in net income as a component of net realized losses on investments. See *Note 3 - Investments* for further discussion of the allowance for credit losses on available-for-sale fixed maturity securities.

Mortgage loans on real estate are reported at cost adjusted for amortization of premiums and accrual of discounts and net of valuation allowances. Interest income is recorded when earned; however, interest ceases to accrue for loans on which interest is more than 90 days past due based upon contractual terms and/or when the collection of interest is not considered probable. Interest income on impaired loans is recorded on a cash basis. Any changes in the loan valuation allowances are reported in net realized losses on investments. See *Note 4 - Mortgage Loans on Real Estate* for further discussion of the valuation allowance on the mortgage loan portfolios.

Beginning in 2021, we held residential real estate investments through consolidation of an investment company VIE. As this is an investment company VIE, the residential real estate investments are reported at fair value and the change in fair value on these investments is reported in net income as a component of net investment income. Fair values of residential real estate investments are initially based on the cost to purchase the properties and subsequently based on a discounted cash flow methodology. See *Note 2 – Fair Values of Financial Instruments* for more information on the determination of fair value. The residential real estate investments are leased to renters through operating lease arrangements. Rental income is recognized on a straight-line basis over the term of the respective leases.

Beginning in 2022, we held a commercial real estate investment in the ultra-luxury hospitality sector through consolidation of a VIE that is not an investment company. The commercial real estate investment is held at depreciated cost and was initially held at the cost to purchase the property.

Our limited partnerships and limited liability companies are accounted for either using the equity method of accounting, NAV as a practical expedient, or fair value. For our equity method investments, we record our share of earnings and losses of the limited partnership or limited liability company as a component of net investment income. Our consolidated limited partnerships are measured using NAV as a practical expedient, as the investments do not have a readily determinable fair value and the investments are in an investment company within scope of Topic 946. Our consolidated real estate limited liability companies are fair valued on a recurring basis using the methods described in *Note 2 – Fair Values of Financial Instruments*. For all of our limited partnerships and limited liability company investments, recognition of income is reported on a quarter lag due to the availability of the related financial statements of the limited partnerships and limited liability companies.

Other invested assets include company owned life insurance, equity securities, short-term debt securities with maturities of greater than three months but less than twelve months when purchased, and short-term loans and collateral loans with maturities less than one year. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the end of the reporting period, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Dividends are recognized when declared.

Realized gains and losses on sales of investments are determined on the basis of specific identification based on the trade date.

Federal Home Loan Bank

During the first quarter of 2022, American Equity Life became a member of the Federal Home Loan Bank ("FHLB") which provides access to collateralized borrowings and other FHLB products. We may also issue funding agreements to the FHLB. Both the collateralized borrowings and funding agreements require us to pledge qualified assets as collateral. Obligations arising from funding agreements are used in investment spread activities and reported in Other policy funds and contract claims on the Consolidated Balance Sheets. See *Note 14 - Commitments and Contingencies* for more information on the funding agreements issued. Entering into FHLB membership, borrowings and funding agreements requires the ownership of FHLB stock and the pledge of assets as collateral. See *Note 2 - Fair Value of Financial Instruments* and *Note 14 - Commitments and Contingencies* for more information on the common stock purchased and assets pledged as collateral.

Derivative Instruments

Our derivative instruments include call options used to fund fixed index annuity credits and interest rate swaps which were designated as fair value hedges. Our call option derivative instruments are recognized in the balance sheet at fair value and changes in fair value are recognized immediately in operations.

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognized asset or liability, or of an unrecognized firm commitment, that are attributable to a particular risk. The accounting for a fair value hedge is determined at hedge inception. Hedge accounting can be applied if, at inception, and throughout the hedging period, the changes in the fair value of the derivative are highly effective at offsetting the changes in fair value of the hedged asset, liability or unrecognized firm commitment that are attributable to the risk being hedged. When hedge accounting is applied, the change in fair value of the hedged asset, liability or unrecognized firm commitment attributable to the hedged risk are reported in the same line item in the Consolidated Statements of Operations as the changes in fair value of the derivative instrument. For fair value hedges of fixed maturity securities, the change in fair value attributable to the risk being hedged is recognized in the Change in fair value of derivatives line item of the Consolidated Statements of Operations. For any change in fair value of our interest rate swaps that are excluded from hedge effectiveness, we have elected to recognize the change immediately in earnings rather than amortizing over the life of the hedge.

At hedge inception, we formally document our risk management objective and strategy for entering into hedging relationships for any fair value hedge. We also quantitatively test for hedge effectiveness using statistical regression analysis on both a prospective and retrospective basis. The results of the testing determine whether we have a highly effective hedging relationship and can apply hedge accounting.

Prior to the redemption of our floating rate subordinated debentures in 2020, our derivative instruments also included an interest rate swap and interest rate caps which were used to manage interest rate risk associated with the floating rate component on certain of our subordinated debentures. These interest rate swaps and interest rate caps were recognized in the balance sheet at fair value and changes in fair value were recognized immediately in operations.

See *Note 6 - Derivative Instruments* for more information on derivative instruments.

Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Book Overdrafts

Under our cash management system, checks issued but not yet presented to banks frequently result in overdraft balances for accounting purposes and are classified as Other liabilities on our consolidated balance sheets. We report the changes in the amount of the overdraft balance as a financing activity in our consolidated statement of cash flows as Change in checks in excess of cash balance.

Deferred Policy Acquisition Costs and Deferred Sales Inducements

For annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; and to a lesser extent, product charges and fees net of expected excess payments for lifetime income benefit riders and certain policy expenses. Actual and expected gross profits for fixed index annuities also include the impact of amounts recorded for the change in fair value of derivatives and the change in fair value of embedded derivatives. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments) to be realized from a group of products are revised. Deferred policy acquisition costs and deferred sales inducements are also adjusted for the change in amortization that would have occurred if available for sale fixed maturity securities had been sold at their aggregate fair value at the end of the reporting period and the proceeds reinvested at current yields. The impact of this adjustment is included in accumulated other comprehensive income (loss) within consolidated stockholders' equity, net of applicable taxes. See *Note 7 - Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders* for more information on deferred policy acquisition costs and deferred sales inducements.

Policy Benefit Reserves

Policy benefit reserves for fixed index annuities with returns linked to the performance of a specified market index are equal to the sum of the fair value of the embedded derivatives and the host (or guaranteed) component of the contracts. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. Future policy benefit reserves for fixed index annuities earning a fixed rate of interest and other deferred annuity products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. For the years ended December 31, 2022, 2021 and 2020, interest crediting rates for these products ranged from 1.45% to 2.65%.

The liability for lifetime income benefit riders is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values recognizing the excess over the expected lives of the underlying policies based on the actual and present value of expected assessments including investment spreads, product charges and fees. The inputs used in the calculation of the liability for lifetime income benefit riders include actual policy values, actual income account values, actual payout factors, actual roll-up rates and our best estimate assumptions for future policy growth, expected utilization of lifetime income benefit riders, which includes the ages at which policyholders are expected to elect to begin to receive lifetime income benefit payments and the percentage of policyholders who elect to receive lifetime income benefit payments, the type of income benefit payments selected upon election and future assumptions for lapse, partial withdrawal and mortality rates. See *Note 7 - Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders* for more information on lifetime income benefit rider reserves.

Policy benefit reserves are not reduced for amounts ceded under coinsurance agreements which are reported as coinsurance deposits on our consolidated balance sheets. See *Note 8 - Reinsurance and Policy Provisions* for more information on reinsurance.

Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The effect on deferred income tax assets and liabilities resulting from a change in the enacted marginal tax rate is recognized in income in the period that includes the enactment date. Deferred income tax expenses or benefits are based on the changes in the asset or liability from period to period. Deferred income tax assets are subject to ongoing evaluation of whether such assets will more likely than not be realized. The realization of deferred income tax assets primarily depends on generating future taxable income during the periods in which temporary differences become deductible. Deferred income tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such a determination, all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations, is considered. The realization of deferred income tax assets related to unrealized losses on available-for-sale fixed maturity securities is also based upon our intent and ability to hold those securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss. See *Note 9 - Income Taxes* for more information on deferred income taxes.

Recognition of Premium Revenues and Costs

Revenues for annuity products include surrender and living income benefit rider charges assessed against policyholder account balances during the period. Interest sensitive and index product benefits related to annuity products include interest credited or index credits to policyholder account balances pursuant to accounting by insurance companies for certain long-duration contracts. The change in fair value of the embedded derivatives for fixed index annuities equals the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

Considerations from immediate annuities and supplemental contract annuities with life contingencies are recognized as revenue when the policy is issued.

All insurance-related revenues, including the change in the fair value of derivatives for call options related to the business ceded under coinsurance agreements (see *Note 8 - Reinsurance and Policy Provisions*), benefits, losses and expenses are reported net of reinsurance ceded. Revenue and fees associated with reinsurance agreements (see *Note 8 - Reinsurance and Policy Provisions*) are recognized in Other revenue when earned over the life of the reinsured policies or when service is performed.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders. Other comprehensive income (loss) excludes net realized investment gains (losses) included in net income which represents transfers from unrealized to realized gains and losses.

Reclassifications

Certain amounts in the prior years' consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation.

Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") that significantly changed the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model that requires these assets be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are recorded through an allowance account subsequent to the adoption of this ASU. We adopted this ASU on January 1, 2020. The adoption of this ASU resulted in an increase in our mortgage loan allowance for credit losses of $8.6 million and the recognition of an allowance for credit losses on our reinsurance recoverable/coinsurance deposits balances of $3.2 million on the date of adoption. Retained earnings was decreased by $9.3 million, which reflects the net of tax impact of the increase in the mortgage loan allowance for credit losses and the recognition of an allowance for credit losses on our reinsurance recoverable/coinsurance deposits balances on the date of adoption.

New Accounting Pronouncements

In August 2018, the FASB issued an ASU that revises certain aspects of the measurement models and disclosure requirements for long duration insurance and investment contracts. The FASB's objective in issuing this ASU is to improve, simplify, and enhance the accounting for long-duration contracts. The revisions include updating cash flow assumptions in the calculation of the liability for traditional life products, introducing the term 'market risk benefit' ("MRB") and requiring all contract features meeting the definition of an MRB to be measured at fair value with the change in fair value recognized in net income excluding the change in fair value related to our own-credit risk which is recognized in AOCI and simplifying the method used to amortize deferred policy acquisition costs and deferred sales inducements to a constant level basis over the expected term of the related contracts rather than based on actual and estimated gross profits and enhancing disclosure requirements. While this ASU is effective for us January 1, 2023, the transition date (the remeasurement date) is January 1, 2021. We will adopt the guidance on a modified retrospective basis related to the future policy benefit and deferred acquisition costs. The guidance for market risk benefits will be applied retrospectively.

While we continue to evaluate the impact of adopting this standard, we expect the adoption to have a material impact to our financial condition, results of operations, statements of cash flows, and disclosures. The estimated impact to stockholders' equity at January 1, 2021 is an increase between $1.5 billion and $2.0 billion, with most of this impact reflected in accumulated other comprehensive income ("AOCI"). The impact to retained earnings is expected to be less than $100.0 million.

The most significant drivers of the transition adjustment include changes related to MRBs including the impacts of our own-credit risk adjustment and removal of the deferred acquisition cost, deferred sales inducement, and policy benefit reserve balances recorded in AOCI related to changes in unrealized appreciation (depreciation) on available for sale fixed maturity securities.

We have created a governance framework and implementation plan for the adoption of this standard. We have designed internal controls related to the new processes created as part of implementing the updated standard, and we will continue to execute the controls through the implementation and first reporting date.

2. Fair Values of Financial Instruments

The following sets forth a comparison of the carrying amounts and fair values of our financial instruments:

	December 31,			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Assets				
Fixed maturity securities, available for sale	$ 39,804,617	$ 39,804,617	$ 51,305,943	$ 51,305,943
Mortgage loans on real estate	6,949,027	6,502,463	5,687,998	5,867,227
Real estate investments	1,056,063	1,056,063	337,939	337,939
Limited partnerships and limited liability companies	684,835	684,835	168,711	168,711
Derivative instruments	431,727	431,727	1,277,480	1,277,480
Other investments	1,817,085	1,817,085	1,247,024	1,247,024
Cash and cash equivalents	1,919,669	1,919,669	4,508,982	4,508,982
Coinsurance deposits	13,208,399	12,000,116	8,850,608	7,938,292
Liabilities				
Policy benefit reserves	60,743,370	55,572,896	65,076,041	56,375,076
Single premium immediate annuity (SPIA) benefit reserves	212,119	221,130	226,207	235,891
Other policy funds - FHLB	300,000	300,000	—	—
Notes and loan payable	792,073	774,220	496,250	569,485
Subordinated debentures	78,753	87,293	78,421	93,721

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The objective of a fair value measurement is to determine that price for each financial instrument at each measurement date. We meet this objective using various methods of valuation that include market, income and cost approaches.

We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. We categorize financial assets and liabilities recorded at fair value in the consolidated balance sheets as follows:

Level 1 – Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level 2 – Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.

Level 3 – Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

NAV – Our consolidated limited partnership funds are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy. Our carrying value reflects our pro rata ownership percentage as indicated by NAV in the investment fund financial statements and is recorded on a quarter lag due to the timing of when financial statements are available.

Transfers of securities among the levels occur at times and depend on the type of inputs used to determine fair value of each security.

Our assets and liabilities which are measured at fair value on a recurring basis as of December 31, 2022 and 2021 are presented below based on the fair value hierarchy levels:

	Total Fair Value	NAV	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(Dollars in thousands)		
December 31, 2022					
Assets					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	$ 169,071	$ —	$ 26,184	$ 142,887	$ —
States, municipalities and territories	3,822,982	—	—	3,822,982	—
Foreign corporate securities and foreign governments	676,852	—	—	676,852	—
Corporate securities	24,161,921	—	—	23,759,573	402,348
Residential mortgage backed securities	1,377,611	—	—	1,377,611	—
Commercial mortgage backed securities	3,687,478	—	—	3,687,478	—
Other asset backed securities	5,908,702	—	—	5,465,784	442,918
Other investments	1,013,297	—	398,280	615,017	—
Real estate investments	940,559	—	—	—	940,559
Limited partnerships and limited liability companies	684,835	620,626	—	—	64,209
Derivative instruments	431,727	—	—	431,727	—
Cash and cash equivalents	1,919,669	—	1,919,669	—	—
	$ 44,794,704	$ 620,626	$ 2,344,133	$ 39,979,911	$ 1,850,034
Liabilities					
Funds withheld liability - embedded derivative	$ (441,864)	$ —	$ —	$ —	$ (441,864)
Fixed index annuities - embedded derivatives	4,820,845	—	—	—	4,820,845
	$ 4,378,981	$ —	$ —	$ —	$ 4,378,981
December 31, 2021					
Assets					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	$ 1,078,746	$ —	$ 32,737	$ 1,046,009	$ —
States, municipalities and territories	3,927,201	—	—	3,927,201	—
Foreign corporate securities and foreign governments	402,545	—	—	402,545	—
Corporate securities	34,660,234	—	32,700	34,627,534	—
Residential mortgage backed securities	1,125,049	—	—	1,125,049	—
Commercial mortgage backed securities	4,840,311	—	—	4,840,311	—
Other asset backed securities	5,271,857	—	—	5,271,857	—
Other investments	12,226	—	—	5,877	6,349
Real estate investments	337,939	—	—	—	337,939
Limited partnerships and limited liability companies	168,711	168,711	—	—	—
Derivative instruments	1,277,480	—	—	1,277,480	—
Cash and cash equivalents	4,508,982	—	4,508,982	—	—
	$ 57,611,281	$ 168,711	$ 4,574,419	$ 52,523,863	$ 344,288
Liabilities					
Funds withheld liability - embedded derivative	$ (2,362)	$ —	$ —	$ (2,362)	$ —
Fixed index annuities - embedded derivatives	7,964,961	—	—	—	7,964,961
	$ 7,962,599	$ —	$ —	$ (2,362)	$ 7,964,961

The following methods and assumptions were used in estimating the fair values of financial instruments during the periods presented in these consolidated financial statements.

Fixed maturity securities

The fair values of fixed maturity securities in an active and orderly market are determined by utilizing independent pricing services. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

- reported trading prices,
- benchmark yields,
- broker-dealer quotes,
- benchmark securities,
- bids and offers,
- credit ratings,
- relative credit information, and
- other reference data.

The independent pricing services also take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary.

The independent pricing services provide quoted market prices when available. Quoted prices are not always available due to market inactivity. When quoted market prices are not available, the third parties use yield data and other factors relating to instruments or securities with similar characteristics to determine fair value for securities that are not actively traded. We generally obtain one value from our primary external pricing service. In situations where a price is not available from this service, we may obtain quotes or prices from additional parties as needed. Market indices of similar rated asset class spreads are considered for valuations and broker indications of similar securities are compared. Inputs used by the broker include market information, such as yield data and other factors relating to instruments or securities with similar characteristics. Valuations and quotes obtained from third party commercial pricing services are non-binding and do not represent quotes on which one may execute the disposition of the assets.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2022 and 2021.

Fixed maturity security valuations that include at least one significant unobservable input are reflected in Level 3 in the fair value hierarchy and can include fixed maturity securities across all asset classes. Quantitative information about the significant unobservable inputs used are provided below for fixed maturity securities that were either valued internally or were valued by a third party and the inputs were reasonably available. The fair value of corporate securities that utilized at least one significant unobservable input was $84.7 million and $0 million as of December 31, 2022 and 2021, respectively. A discounted cash flow methodology was utilized in the valuation, which included an unobservable liquidity premium of 20 basis points being incorporated along with other observable market data. The fair value of other asset backed securities that utilized at least one significant unobservable input was $296.8 million and $0 million as of December 31, 2022 and 2021, respectively. A discounted cash flow methodology was utilized in the valuation, which included unobservable discount rates and weighted average lives being incorporated along with other observable market data. At December 31, 2022, the discount rates used in the fair value calculations ranged from 4.04% to 28.58% with a weighted average rate of 4.36%. At December 31, 2022, the weighted average lives used in the fair value calculations ranged from 8.79 years to 12.48 years with a weighted average of 9.29 years.

Mortgage loans on real estate

Mortgage loans on real estate are not measured at fair value on a recurring basis. The fair values of mortgage loans on real estate are calculated using discounted expected cash flows using competitive market interest rates currently being offered for similar loans. The fair values of impaired mortgage loans on real estate that we have considered to be collateral dependent are based on the fair value of the real estate collateral (based on appraised values) less estimated costs to sell. The inputs utilized to determine fair value of all mortgage loans are unobservable market data (competitive market interest rates); therefore, fair value of mortgage loans falls into Level 3 in the fair value hierarchy.

Real estate investments

The fair values of residential real estate investments held through consolidation of investment company VIEs are initially calculated based on the cost to purchase the properties and subsequently calculated based on a discounted cash flow methodology. Under the discounted cash flow method, net operating income is forecasted assuming a 10-year hold period commencing as of the valuation date. An additional year is forecasted in order to determine the residual sale price at the end of the hold period, using a residual (terminal) capitalization rate. The significant inputs into the fair value calculation under the discounted cash flow method include the residual capitalization rate and discount rate. These inputs are unobservable market data; therefore, fair value of residential real estate investments falls into Level 3 in the fair value hierarchy. At December 31, 2022, the residual capitalization rates used in the fair value calculations ranged from 4.75% to 6.50% with an average rate of 5.44%. At December 31, 2022, the discount rates used in the fair value calculations ranged from 6.00% to 8.00% with an average rate of 6.91%. At December 31, 2021, the residual capitalization rates used in the fair value calculations ranged from 5.00% to 6.25% with an average rate of 5.72%. At December 31, 2021, the discount rates used in the fair value calculations ranged from 6.25% to 7.50% with an average rate of 6.97%.

In Q4 2022, we purchased one real estate investment through consolidation of a VIE that is not measured at fair value on a recurring basis. Due to the proximity of the purchase date to year end, the cost to purchase the property approximates fair value.

Limited partnerships and limited liability companies

Two of our consolidated variable interest entities, which are fair valued on a recurring basis, invest in limited liability companies that invest in operating entities which hold multifamily real estate properties. The fair value of our variable interest entities was $64.2 million as of December 31, 2022 and falls within Level 3 of the fair value hierarchy. The fair value of the limited liability companies was obtained from a third party and is based on the fair value of the underlying real estate held by the various operating entities. The real estate is initially calculated based on the cost to purchase the properties and subsequently calculated based on a discounted cash flow methodology. At December 31, 2022, the residual capitalization rates used in the fair value calculations of the underlying real estate ranged from 4.25% to 4.75% with a weighted average rate of 4.46%. The discount rates used in the fair value calculations of the underlying real estate ranged from 5.75% to 6.00% with a weighted average rate of 5.86%. The fair value of this investment falls within Level 3 of the fair value hierarchy.

Each of our consolidated limited partnership funds, which are measured using NAV as a practical expedient, are closed-end funds that invest in infrastructure credit assets and tech-centric middle-market loans, respectively. Redemptions are not allowed until the funds' termination dates and liquidations begin. At December 31, 2022, our unfunded commitments for our consolidated limited partnership funds are $926.3 million.

Derivative instruments

The fair values of our call options are based upon the amount of cash that we will receive to settle each derivative instrument on the reporting date. These amounts are determined by our investment team using industry accepted valuation models and are adjusted for the nonperformance risk of each counterparty net of any collateral held. Inputs include market volatility and risk free interest rates and are used in income valuation techniques in arriving at a fair value for each option contract. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options purchased to fund our fixed index annuity policy liabilities.

The fair values of our pay fixed/receive float interest rate swaps are determined using internal valuation models that generate discounted expected future cash flows by constructing a projected Secured Overnight Financing Rate (SOFR) curve over the term of the swap.

Other investments

Equity securities and short-term debt securities with maturities of greater than three months but less than twelve months when purchased are the only financial instruments included in other investments that are measured at fair value on a recurring basis. The fair value for these investments are determined using the same methods discussed above for fixed maturity securities. Financial instruments included in other investments that are not measured at fair value on a recurring basis are FHLB common stock, short-term loans, collateral loans and company owned life insurance ("COLI"). FHLB common stock is carried at cost which approximates fair value. FHLB common stock was $22.0 million as of December 31, 2022 and falls within Level 2 of the fair value hierarchy. Due to the short-term nature of the investments, the fair value of a portion of our short-term loans approximates the carrying value. The fair value of short-term loans was $316.4 million and $320.0 million as of December 31, 2022 and December 31, 2021, respectively. Our short-term loans fall within Level 2 of the fair value hierarchy. For our collateral loans, we have concluded the fair value approximates carrying value and falls within Level 2 of the fair value hierarchy. The fair value of collateral loans was $64.6 million and $0 million as of December 31, 2022 and December 31, 2021, respectively. The fair value of our COLI approximates the cash surrender value of the policies and falls within Level 2 of the fair value hierarchy. The fair value of COLI was $397.7 million and $384.3 million as of December 31, 2022 and December 31, 2021, respectively.

Cash and cash equivalents

Amounts reported in the consolidated balance sheets for these instruments are reported at their historical cost which approximates fair value due to the nature of the assets assigned to this category.

Policy benefit reserves, coinsurance deposits and SPIA benefit reserves

The fair values of the liabilities under contracts not involving significant mortality or morbidity risks (principally deferred annuities), are stated at the cost we would incur to extinguish the liability (i.e., the cash surrender value) as these contracts are generally issued without an annuitization date. The coinsurance deposits related to the annuity benefit reserves have fair values determined in a similar fashion. For period-certain annuity benefit contracts, the fair value is determined by discounting the benefits at the interest rates currently in effect for newly issued immediate annuity contracts. We are not required to and have not estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts that are exceptions from financial instruments that require disclosures of fair value. Policy benefit reserves, coinsurance deposits and SPIA benefit reserves are not measured at fair value on a recurring basis. All of the fair values presented within these categories fall within Level 3 of the fair value hierarchy as most of the inputs are unobservable market data.

Other policy funds - FHLB

The fair values of the Company's funding agreements with the FHLB are estimated using discounted cash flow calculations based on interest rates currently being offered for similar agreements with similar maturities.

Notes and loan payable

The fair value of our senior unsecured notes is based upon quoted market price. The carrying value of the term loan approximates fair value as the interest rate is reset on a quarterly basis utilizing SOFR adjusted for a credit spread. Both of these are categorized as Level 2 within the fair value hierarchy and are not remeasured at fair value on a recurring basis.

Subordinated debentures

Fair values for subordinated debentures are estimated using discounted cash flow calculations based principally on observable inputs including our incremental borrowing rates, which reflect our credit rating, for similar types of borrowings with maturities consistent with those remaining for the debt being valued. These fair values are categorized as Level 2 within the fair value hierarchy. Subordinated debentures are not measured at fair value on a recurring basis..

Funds withheld liability - embedded derivative

We estimate the fair value of the embedded derivative based on the fair value of the assets supporting the funds withheld payable under modified coinsurance and funds withheld coinsurance reinsurance agreements. The fair value of the embedded derivative is classified as Level 3 based on valuation methods used for the assets held supporting the reinsurance agreements.

Fixed index annuities - embedded derivatives

We estimate the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements. Our best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

Within this determination we have the following significant unobservable inputs: 1) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary and 2) our best estimates for future policy decrements, primarily lapse, partial withdrawal and mortality rates. As of December 31, 2022 and 2021, we utilized an estimate of 2.40% and 2.10%, respectively, for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual option costs.

Our best estimate assumptions for lapse, partial withdrawal and mortality rates are based on our actual experience and our outlook as to future expectations for such assumptions. These assumptions, which are consistent with the assumptions used in calculating deferred policy acquisition costs and deferred sales inducements, are reviewed on a quarterly basis and are updated as our experience develops and/or as future expectations change. The following table presents average lapse rate and partial withdrawal rate assumptions, by contract duration, used in estimating the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each reporting date:

	Average Lapse Rates		Average Partial Withdrawal Rates	
Contract Duration (Years)	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
1 - 5	2.17%	3.04%	1.86%	2.19%
6 - 10	3.28%	2.84%	1.97%	2.26%
11 - 15	3.63%	4.47%	1.86%	2.14%
16 - 20	8.55%	8.93%	2.96%	1.33%
20+	4.90%	4.93%	1.81%	—%

Lapse rates are generally expected to increase as surrender charge percentages decrease for policies without a lifetime income benefit rider. Lapse expectations reflect a significant increase in the year in which the surrender charge period on a contract ends.

The following table provides a reconciliation of the beginning and ending balances for our Level 3 assets and liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs for the years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Fixed maturity securities, available for sale - Corporate securities		
Beginning balance	$ —	$ —
Purchases	2,233	—
Transfers in	391,702	—
Transfers out	—	—
Total realized/unrealized gains (losses):		
Included in net income	—	—
Included in other comprehensive income (loss)	8,413	—
Ending balance	$ 402,348	$ —
Fixed maturity securities, available for sale - Other asset backed securities		
Beginning balance	$ —	$ —
Purchases	296,800	—
Transfers in	153,669	—
Transfers out	—	—
Total realized/unrealized gains (losses):		
Included in net income	—	—
Included in other comprehensive income (loss)	(7,551)	—
Ending balance	$ 442,918	$ —
Other investments		
Beginning balance	$ 6,349	$ —
Transfers in	—	6,349
Transfers out	(3,867)	—
Total realized/unrealized gains (losses):		
Included in net income	(2,482)	—
Included in other comprehensive income (loss)	—	—
Ending balance	$ —	$ 6,349

	Year Ended December 31, 2022	Year Ended December 31, 2021
Real estate investments		
Beginning balance	$ 337,939	$ —
Purchases and sales, net	602,298	335,767
Change in fair value	322	2,172
Ending balance	$ 940,559	$ 337,939
Limited partnerships and limited liability companies		
Beginning balance	$ —	$ —
Purchases and sales, net	57,574	—
Change in fair value	6,635	—
Ending balance	$ 64,209	$ —
Funds withheld liability - embedded derivative		
Beginning balance	$ —	$ —
Transfers in	(441,864)	—
Change in fair value	—	—
Ending balance	$ (441,864)	$ —
Fixed index annuities - embedded derivatives		
Beginning balance	$ 7,964,961	$ 7,938,281
Premiums less benefits	(125,940)	1,424,372
Change in fair value, net	(2,561,676)	(876,803)
Reserve release related to in-force ceded reinsurance	(456,500)	(520,889)
Ending balance	$ 4,820,845	$ 7,964,961

Transfers into Level 3 during the years ended December 31, 2022 and 2021 were the result of changes in observable pricing information for certain fixed maturity securities.

The fair value of our fixed index annuities embedded derivatives is net of coinsurance ceded of $1,173.4 million and $1,245.0 million as of December 31, 2022 and 2021, respectively. Change in fair value, net for each period in our embedded derivatives is included in Change in fair value of embedded derivatives in the Consolidated Statements of Operations.

Certain derivatives embedded in our fixed index annuity contracts are our most significant financial instrument measured at fair value that are categorized as Level 3 in the fair value hierarchy. The contractual obligations for future annual index credits within our fixed index annuity contracts are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. We estimate the fair value of these embedded derivatives at each valuation date by the method described above under **fixed index annuities - embedded derivatives.** The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

The most sensitive assumption in determining policy liabilities for fixed index annuities is the rates used to discount the excess projected contract values. As indicated above, the discount rate reflects our nonperformance risk. If the discount rates used to discount the excess projected contract values at December 31, 2022, were to increase by 100 basis points, the fair value of the embedded derivatives would decrease by $336.2 million recorded through operations as a decrease in the change in fair value of embedded derivatives and there would be a corresponding decrease of $124.3 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as an increase in amortization of deferred policy acquisition costs and deferred sales inducements. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase the fair value of the embedded derivatives by $386.4 million recorded through operations as an increase in the change in fair value of embedded derivatives and there would be a corresponding increase of $147.0 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as a decrease in amortization of deferred policy acquisition costs and deferred sales inducements.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions in 2022, 2021 and 2020.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2022 was the change in the discount rate. The discount rate assumption was increased, and the period over which the discount rate assumption grades to an ultimate assumption was adjusted. This resulted in a decrease in the fair value of the embedded derivative.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity benefit policy reserves in 2021 was changes in lapse rate assumptions. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on policies with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The net impact of the updates to the lapse rate assumption resulted in a decrease in the embedded derivative component of our fixed index annuity policy benefit reserves as less funds ultimately qualify for excess benefits.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2020 was a decrease in the crediting rate/option budget to 2.10% from 2.90% as a result of a revised estimate of the cost of options. This assumption change resulted in a decrease in the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves due to a reduction in the projected policy contract values over the expected lives of the contracts. During 2020, we revised the derivation of the discount rate used in calculating the fair value of embedded derivatives which increased the discount rate and resulted in a decrease in the change in fair value of embedded derivatives. The net impact of the updates to lapse and partial withdrawal assumptions resulted in an increase in the embedded derivative component of our fixed index annuity policy benefit reserves as more funds ultimately qualify for excess benefits.

3. Investments

At December 31, 2022 and 2021, the amortized cost and fair value of fixed maturity securities were as follows:

	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses (2)	Allowance for Credit Losses	Fair Value
			(Dollars in thousands)		
December 31, 2022					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	$ 173,638	$ 70	$ (4,637)	$ —	$ 169,071
States, municipalities and territories	4,356,251	41,565	(574,834)	—	3,822,982
Foreign corporate securities and foreign governments	748,770	11,661	(83,579)	—	676,852
Corporate securities	27,706,440	146,065	(3,687,370)	(3,214)	24,161,921
Residential mortgage backed securities	1,492,242	11,870	(126,368)	(133)	1,377,611
Commercial mortgage backed securities	4,098,755	493	(411,770)	—	3,687,478
Other asset backed securities	6,289,923	14,068	(395,289)	—	5,908,702
	$ 44,866,019	$ 225,792	$ (5,283,847)	$ (3,347)	$ 39,804,617
December 31, 2021					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	$ 1,046,029	$ 32,841	$ (124)	$ —	$ 1,078,746
States, municipalities and territories	3,495,563	437,456	(3,042)	(2,776)	3,927,201
Foreign corporate securities and foreign governments	380,646	22,742	(843)	—	402,545
Corporate securities	31,084,629	3,614,047	(38,442)	—	34,660,234
Residential mortgage backed securities	1,056,778	70,434	(2,093)	(70)	1,125,049
Commercial mortgage backed securities	4,708,878	149,152	(17,719)	—	4,840,311
Other asset backed securities	5,226,660	95,304	(50,107)	—	5,271,857
	$ 46,999,183	$ 4,421,976	$ (112,370)	$ (2,846)	$ 51,305,943

(1) Amortized cost excludes accrued interest receivable of $425.4 million and $400.7 million as of December 31, 2022 and 2021, respectively.

(2) Gross unrealized losses are net of allowance for credit losses.

The amortized cost and fair value of fixed maturity securities at December 31, 2022, by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives and are shown below as separate lines.

	Available for sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Due in one year or less	$ 1,184,147	$ 1,180,124
Due after one year through five years	5,641,072	5,406,059
Due after five years through ten years	6,254,569	5,672,730
Due after ten years through twenty years	9,853,998	8,817,815
Due after twenty years	10,051,313	7,754,098
	32,985,099	28,830,826
Residential mortgage backed securities	1,492,242	1,377,611
Commercial mortgage backed securities	4,098,755	3,687,478
Other asset backed securities	6,289,923	5,908,702
	$ 44,866,019	$ 39,804,617

Net unrealized gains (losses) on available for sale fixed maturity securities reported as a separate component of stockholders' equity were comprised of the following:

	December 31,	
	2022	2021
	(Dollars in thousands)	
Net unrealized gains (losses) on available for sale fixed maturity securities	$ (5,065,422)	$ 4,309,606
Adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves	2,309,357	(1,993,869)
Deferred income tax valuation allowance reversal	22,534	22,534
Deferred income tax expense	578,476	(489,482)
Net unrealized gains (losses) reported as accumulated other comprehensive income (loss)	$ (2,155,055)	$ 1,848,789

The National Association of Insurance Commissioners ("NAIC") assigns designations to fixed maturity securities. These designations range from Class 1 (highest quality) to Class 6 (lowest quality). In general, securities are assigned a designation based upon the ratings they are given by the Nationally Recognized Statistical Rating Organizations ("NRSRO's"). The NAIC designations are utilized by insurers in preparing their annual statutory statements. NAIC Class 1 and 2 designations are considered "investment grade" while NAIC Class 3 through 6 designations are considered "non-investment grade." Based on the NAIC designations, we had 98% of our fixed maturity portfolio rated investment grade at both December 31, 2022 and 2021, respectively.

The following table summarizes the credit quality, as determined by NAIC designation, of our fixed maturity portfolio as of the dates indicated:

	December 31,			
	2022		2021	
NAIC Designation	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
1	$ 27,061,903	$ 24,211,086	$ 26,157,531	$ 28,785,839
2	17,023,157	14,944,131	19,758,594	21,396,020
3	595,193	510,392	909,311	941,210
4	109,409	91,495	133,070	147,160
5	61,721	36,738	16,496	15,357
6	14,636	10,775	24,181	20,357
	$ 44,866,019	$ 39,804,617	$ 46,999,183	$ 51,305,943

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 4,510 and 1,427 securities, respectively) have been in a continuous unrealized loss position, at December 31, 2022 and 2021:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)
			(Dollars in thousands)			
December 31, 2022						
Fixed maturity securities, available for sale:						
U.S. Government and agencies	$ 160,201	$ (4,512)	$ 908	$ (125)	$ 161,109	$ (4,637)
States, municipalities and territories	2,595,122	(537,313)	95,184	(37,521)	2,690,306	(574,834)
Foreign corporate securities and foreign governments	522,826	(76,957)	21,816	(6,622)	544,642	(83,579)
Corporate securities	18,784,181	(3,218,323)	1,411,177	(469,047)	20,195,358	(3,687,370)
Residential mortgage backed securities	992,783	(101,100)	116,388	(25,268)	1,109,171	(126,368)
Commercial mortgage backed securities	2,941,293	(302,513)	651,923	(109,257)	3,593,216	(411,770)
Other asset backed securities	2,561,390	(162,821)	1,924,026	(232,468)	4,485,416	(395,289)
	$ 28,557,796	$ (4,403,539)	$ 4,221,422	$ (880,308)	$ 32,779,218	$ (5,283,847)
December 31, 2021						
Fixed maturity securities, available for sale:						
U.S. Government and agencies	$ 760,977	$ (124)	$ —	$ —	$ 760,977	$ (124)
States, municipalities and territories	168,942	(2,468)	15,711	(3,350)	184,653	(5,818)
Foreign corporate securities and foreign governments	42,861	(843)	—	—	42,861	(843)
Corporate securities	2,375,603	(30,070)	116,819	(8,372)	2,492,422	(38,442)
Residential mortgage backed securities	250,964	(1,408)	26,917	(755)	277,881	(2,163)
Commercial mortgage backed securities	784,464	(5,500)	142,224	(12,219)	926,688	(17,719)
Other asset backed securities	1,351,324	(11,345)	1,771,182	(38,762)	3,122,506	(50,107)
	$ 5,735,135	$ (51,758)	$ 2,072,853	$ (63,458)	$ 7,807,988	$ (115,216)

(1) Unrealized losses have not been reduced to reflect the allowance for credit losses of $3.3 million and $2.8 million as of December 31, 2022 and 2021, respectively.

The unrealized losses at December 31, 2022 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2022. Approximately 98% and 85% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2022 and 2021, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

We expect to recover our amortized cost on all securities except for those securities on which we recognized an allowance for credit loss. In addition, because we did not have the intent to sell fixed maturity securities with unrealized losses and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost, which may be maturity, we did not write down these investments to fair value through the consolidated statements of operations.

Changes in net unrealized gains/losses on investments for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Fixed maturity securities available for sale carried at fair value	$ (9,375,028)	$ (987,434)	$ 1,955,496
Adjustment for effect on other balance sheet accounts:			
Deferred policy acquisition costs, deferred sales inducements and policy benefit reserves	4,303,226	542,382	(880,517)
Deferred income tax asset/liability	1,067,958	90,284	(225,746)
	5,371,184	632,666	(1,106,263)
Change in net unrealized gains/losses on investments carried at fair value	$ (4,003,844)	$ (354,768)	$ 849,233

Components of net investment income are as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Fixed maturity securities	$ 1,849,915	$ 1,772,675	$ 2,035,762
Real estate investments	40,243	14,138	—
Mortgage loans on real estate	301,118	215,138	170,749
Cash and cash equivalents	24,985	3,385	4,871
Limited partnerships and limited liability companies	188,131	67,157	(12,204)
Other investments	49,537	29,399	15,372
	2,453,929	2,101,892	2,214,550
Less: investment expenses	(146,466)	(64,417)	(32,472)
Net investment income	$ 2,307,463	$ 2,037,475	$ 2,182,078

Proceeds from sales of available for sale fixed maturity securities for the years ended December 31, 2022, 2021 and 2020 were $7.8 billion, $0.8 billion and $5.4 billion, respectively. Scheduled principal repayments, calls and tenders for available for sale fixed maturity securities for the years ended December 31, 2022, 2021 and 2020 were $2.8 billion, $3.7 billion and $2.9 billion, respectively.

Net realized losses on investments for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Fixed maturity securities, available for sale:			
Gross realized gains	$ 139,819	$ 10,167	$ 305,170
Gross realized losses	(153,712)	(19,140)	(276,847)
Net credit loss (provision) release	(15,536)	(6,241)	(94,560)
	(29,429)	(15,214)	(66,237)
Mortgage loans on real estate:			
Decrease (increase) in allowance for credit losses	(15,126)	7,005	(15,447)
Recovery of specific allowance	1,677	—	712
Gain (loss) on sale of mortgage loans	(4,970)	(5,033)	292
	(18,419)	1,972	(14,443)
Total net realized losses	$ (47,848)	$ (13,242)	$ (80,680)

Realized losses on available for sale fixed maturity securities in 2022, 2021 and 2020 were realized primarily due to strategies to reposition the fixed maturity security portfolio that result in improved net investment income, credit risk or duration profiles as they pertain to our asset liability management. In addition, certain realized gains and losses on available for sale fixed maturity securities in 2020 were realized as a result of efforts to de-risk the portfolio. Realized gains and losses on sales are determined on the basis of specific identification of investments based on the trade date.

The following table summarizes the carrying value of our investments that have been non-income producing for 12 consecutive months:

	December 31,	
	2022	2021
	(Dollars in thousands)	
Fixed maturity securities, available for sale	$ 10,708	$ 4,118
Mortgage loans on real estate	1,483	—
	$ 12,191	$ 4,118

We review and analyze all investments on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost basis of each investment that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of securities for credit loss is a quantitative and qualitative process, which is subject to risks and uncertainties.

We have a policy and process to identify securities that could potentially have credit loss. This process involves monitoring market events and other items that could impact issuers. The evaluation includes but is not limited to such factors as:

- the extent to which the fair value has been less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;
- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether an allowance for credit loss should be established for debt securities by assessing pertinent facts and circumstances surrounding each security. Where the decline in fair value of debt securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these investments to have credit loss because we do not intend to sell these investments and it is not more likely than not we will be required to sell these investments before a recovery of amortized cost, which may be maturity.

If we intend to sell a debt security or if it is more likely than not that we will be required to sell a debt security before recovery of its amortized cost basis, credit loss has occurred and the difference between amortized cost and fair value will be recognized as a loss in operations.

If we do not intend to sell and it is not more likely than not we will be required to sell the debt security but also do not expect to recover the entire amortized cost basis of the security, a credit loss would be recognized in operations for the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The recognized credit loss is limited to the total unrealized loss on the security (i.e., the fair value floor).

The determination of the credit loss component of a mortgage backed security is based on a number of factors. The primary consideration in this evaluation process is the issuer's ability to meet current and future interest and principal payments as contractually stated at time of purchase. Our review of these securities includes an analysis of the cash flow modeling under various default scenarios considering independent third party benchmarks, the seniority of the specific tranche within the structure of the security, the composition of the collateral and the actual default, loss severity and prepayment experience exhibited. With the input of third party assumptions for default projections, loss severity and prepayment expectations, we evaluate the cash flow projections to determine whether the security is performing in accordance with its contractual obligation.

We utilize models from a leading structured product software specialist serving institutional investors. These models incorporate each security's seniority and cash flow structure. In circumstances where the analysis implies a potential for principal loss at some point in the future, we use the "best estimate" cash flow projection discounted at the security's effective yield at acquisition to determine the amount of our potential credit loss associated with this security. The discounted expected future cash flows equates to our expected recovery value. Any shortfall of the expected recovery when compared to the amortized cost of the security will be recorded as credit loss.

The determination of the credit loss component of a corporate bond is based on the underlying financial performance of the issuer and their ability to meet their contractual obligations. Considerations in our evaluation include, but are not limited to, credit rating changes, financial statement and ratio analysis, changes in management, significant changes in credit spreads, breaches of financial covenants and a review of the economic outlook for the industry and markets in which they trade. In circumstances where an issuer appears unlikely to meet its future obligation, an estimate of credit loss is determined. Credit loss is calculated using default probabilities as derived from the credit default swaps markets in conjunction with recovery rates derived from independent third party analysis or a best estimate of credit loss. This credit loss rate is then incorporated into a present value calculation based on an expected principal loss in the future discounted at the yield at the date of purchase and compared to amortized cost to determine the amount of credit loss associated with the security.

We do not measure a credit loss allowance on accrued interest receivable as we write off any accrued interest receivable balance to net investment income in a timely manner when we have concerns regarding collectability.

Amounts on available for sale fixed maturities that are deemed to be uncollectible are written off and removed from the allowance for credit loss. A write-off may also occur if we intend to sell a security or when it is more likely than not we will be required to sell the security before the recovery of its amortized cost.

The following table provides a rollforward of the allowance for credit loss:

	Year Ended December 31, 2022			
	States, Municipalities and Territories	Corporate Securities	Residential Mortgage Backed Securities	Total
	(Dollars in thousands)			
Beginning balance	$ 2,776	$ —	$ 70	$ 2,846
Additions for credit losses not previously recorded	—	3,825	1,070	4,895
Change in allowance on securities with previous allowance	(2,776)	(611)	(579)	(3,966)
Reduction for securities with credit losses due to intent to sell	—	—	—	—
Reduction for securities sold during the period	—	—	(428)	(428)
Write-offs charged against the allowance	—	—	—	—
Recoveries of amounts previously written off	—	—	—	—
Ending balance	$ —	$ 3,214	$ 133	$ 3,347

	Year Ended December 31, 2021			
	States, Municipalities and Territories	Corporate Securities	Residential Mortgage Backed Securities	Total
	(Dollars in thousands)			
Beginning balance	$ 2,844	$ 60,193	$ 1,734	$ 64,771
Additions for credit losses not previously recorded	—	705	407	1,112
Change in allowance on securities with previous allowance	(68)	443	(857)	(482)
Reduction for securities with credit losses due to intent to sell	—	(209)	—	(209)
Reduction for securities sold during the period	—	(50,758)	—	(50,758)
Write-offs charged against the allowance	—	(10,032)	—	(10,032)
Recoveries of amounts previously written off	—	(342)	(1,214)	(1,556)
Ending balance	$ 2,776	$ —	$ 70	$ 2,846

At December 31, 2022 and 2021, cash and invested assets of $51.0 billion and $49.3 billion, respectively, were on deposit with state agencies to meet regulatory requirements including deposits for the benefit of all policyholders. There are no restrictions on these assets.

At December 31, 2022 and 2021, we had no investment in any person or its affiliates, other than U.S. Government and its agencies, that exceeded 10% of stockholders' equity.

4. Mortgage Loans on Real Estate

Our financing receivables consist of the following three portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our mortgage loan portfolios are summarized in the following table. There were commitments outstanding of $420.2 million at December 31, 2022.

	December 31,	
	2022	2021
	(Dollars in thousands)	
Commercial mortgage loans:		
Principal outstanding	$ 3,560,903	$ 3,633,131
Deferred fees and costs, net	(6,345)	(4,629)
Amortized cost	3,554,558	3,628,502
Valuation allowance	(22,428)	(17,926)
Commercial mortgage loans, carrying value	3,532,130	3,610,576
Agricultural mortgage loans:		
Principal outstanding	567,630	408,135
Deferred fees and costs, net	(1,667)	(1,136)
Amortized cost	565,963	406,999
Valuation allowance	(1,021)	(519)
Agricultural mortgage loans, carrying value	564,942	406,480
Residential mortgage loans:		
Principal outstanding	2,807,652	1,652,910
Deferred fees and costs, net	1,909	1,468
Unamortized discounts and premiums, net	55,917	22,143
Amortized cost	2,865,478	1,676,521
Valuation allowance	(13,523)	(5,579)
Residential mortgage loans, carrying value	2,851,955	1,670,942
Mortgage loans, carrying value	$ 6,949,027	$ 5,687,998

Our commercial mortgage loan portfolio consists of loans collateralized by the related properties and diversified as to property type, location and loan size. Our lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. The commercial mortgage loan portfolio is summarized by geographic region and property type as follows:

	December 31,			
	2022		2021	
	Principal	Percent	Principal	Percent
	(Dollars in thousands)			
Geographic distribution				
East	$ 502,659	14.1 %	$ 614,406	16.9 %
Middle Atlantic	280,993	7.9 %	293,494	8.1 %
Mountain	416,307	11.7 %	452,818	12.5 %
New England	73,631	2.1 %	60,172	1.6 %
Pacific	858,812	24.1 %	863,879	23.8 %
South Atlantic	934,007	26.2 %	785,679	21.6 %
West North Central	205,568	5.8 %	235,864	6.5 %
West South Central	288,926	8.1 %	326,819	9.0 %
	$ 3,560,903	100.0 %	$ 3,633,131	100.0 %
Property type distribution				
Office	$ 378,713	10.6 %	$ 315,374	8.7 %
Medical Office	10,265	0.3 %	10,827	0.3 %
Retail	896,351	25.2 %	1,016,101	28.0 %
Industrial/Warehouse	866,623	24.3 %	924,779	25.4 %
Apartment	912,984	25.6 %	864,580	23.8 %
Hotel	285,271	8.0 %	283,500	7.8 %
Mixed Use/Other	210,696	6.0 %	217,970	6.0 %
	$ 3,560,903	100.0 %	$ 3,633,131	100.0 %

Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $567.6 million and $408.1 million as of December 31, 2022 and 2021, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $2.8 billion and $1.7 billion as of December 31, 2022 and 2021, respectively. These loans are collateralized by the related properties and diversified as to location within the United States.

Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Interest income is included in Net investment income on our Consolidated Statements of Operations. Accrued interest receivable, which was $58.2 million and $37.0 million as of December 31, 2022 and 2021, respectively, is included in Accrued investment income on our consolidated balance sheets.

Loan Valuation Allowance

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses. The valuation allowance is based on amortized cost, which excludes accrued interest receivable. We do not measure a credit loss allowance on accrued interest receivable as we write off any uncollectible accrued interest receivable balances to net investment income in a timely manner. We did not charge off any uncollectible accrued interest receivable on our commercial, agricultural or residential mortgage loan portfolios for the years ended December 31, 2022 or 2021, respectively.

The valuation allowances for each of our mortgage loan portfolios are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in each portfolio, historical economic data and loss information, and current and forecasted economic conditions. Key loan characteristics impacting the estimate for our commercial mortgage loan portfolio include the current state of the borrower's credit quality, which considers factors such as loan-to-value ("LTV") and debt service coverage ("DSC") ratios, loan performance, underlying collateral type, delinquency status, time to maturity, and original credit scores. Key loan characteristics impacting the estimate for our agricultural and residential mortgage loan portfolios include the current state of the borrowers' credit quality, delinquency status, time to maturity and original credit scores.

The following table represents a rollforward of the valuation allowance on our mortgage loan portfolios:

	Year Ended December 31, 2022			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance	$ (17,926)	$ (519)	$ (5,579)	$ (24,024)
Charge-offs	501	—	—	501
Recoveries	1,677	—	—	1,677
Change in provision for credit losses	(6,680)	(502)	(7,944)	(15,126)
Ending allowance balance	$ (22,428)	$ (1,021)	$ (13,523)	$ (36,972)

	Year Ended December 31, 2021			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance	$ (25,529)	$ (2,130)	$ (3,370)	$ (31,029)
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Change in provision for credit losses	7,603	1,611	(2,209)	7,005
Ending allowance balance	$ (17,926)	$ (519)	$ (5,579)	$ (24,024)

Charge-offs include allowances that have been established on loans that were satisfied either by taking ownership of the collateral or by some other means such as discounted pay-off or loan sale. When ownership of the property is taken it is recorded at the lower of the loan's carrying value or the property's fair value (based on appraised values) less estimated costs to sell. The real estate owned is recorded as a component of Real estate investments and the loan is recorded as fully paid, with any allowance for credit loss that has been established charged off. Fair value of the real estate is determined by third party appraisal. There is no real estate in which ownership of the property was taken to satisfy an outstanding loan held in Real estate investments as of December 31, 2022 or December 31, 2021. Recoveries are situations where we have received a payment from the borrower in an amount greater than the carrying value of the loan (principal outstanding less specific allowance).

Credit Quality Indicators

We evaluate the credit quality of our commercial and agricultural mortgage loans by analyzing LTV and DSC ratios and loan performance. We evaluate the credit quality of our residential mortgage loans by analyzing loan performance.

LTV and DSC ratios for our commercial mortgage loans are originally calculated at the time of loan origination and are updated annually for each loan using information such as rent rolls, assessment of lease maturity dates and property operating statements, which are reviewed in the context of current leasing and in place rents compared to market leasing and market rents. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our commercial mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2022 and 2021.

Table of Contents

The amortized cost of our commercial mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2022 and 2021 (by year of origination):

	2022		2021		2020		2019		2018		Prior		Total	
As of December 31, 2022:	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 249,328	63 %	$ 257,746	61 %	$ 421,391	57 %	$ 429,596	58 %	$ 325,117	53 %	$ 813,319	44 %	$ 2,496,497	53 %
Greater than or equal to 1.2 and less than 1.5	6,488	70 %	123,038	55 %	46,804	58 %	115,977	66 %	67,642	67 %	145,703	60 %	505,652	62 %
Greater than or equal to 1.0 and less than 1.2	170,059	52 %	211,684	43 %	18,144	79 %	39,396	73 %	10,348	76 %	58,021	47 %	507,652	51 %
Less than 1.0	—	— %	—	— %	—	— %	6,107	64 %	13,025	70 %	25,625	65 %	44,757	66 %
Total	$ 425,875	59 %	$ 592,468	53 %	$ 486,339	58 %	$ 591,076	61 %	$ 416,132	57 %	$ 1,042,668	47 %	$ 3,554,558	54 %

	2021		2020		2019		2018		2017		Prior		Total	
As of December 31, 2021:	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 260,623	64 %	$ 454,828	60 %	$ 464,059	61 %	$ 344,170	58 %	$ 246,854	52 %	$ 758,494	45 %	$ 2,529,028	55 %
Greater than or equal to 1.2 and less than 1.5	12,836	67 %	58,960	66 %	128,301	70 %	89,293	66 %	135,818	66 %	129,833	57 %	555,041	65 %
Greater than or equal to 1.0 and less than 1.2	318,636	45 %	17,762	82 %	69,684	72 %	11,937	75 %	6,343	60 %	42,125	58 %	466,487	53 %
Less than 1.0	—	— %	3,289	61 %	26,147	63 %	14,051	76 %	13,385	73 %	21,074	54 %	77,946	65 %
Total	$ 592,095	54 %	$ 534,839	61 %	$ 688,191	64 %	$ 459,451	60 %	$ 402,400	58 %	$ 951,526	47 %	$ 3,628,502	56 %

LTV and DSC ratios for our agricultural mortgage loans are calculated at the time of loan origination and are evaluated annually for each loan using land value averages. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our agricultural mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2022 and 2021.

The amortized cost of our agricultural mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2022 and 2021 (by year of origination):

	2022		2021		2020		2019		2018		Prior		Total	
As of December 31, 2022:	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 85,367	47 %	$ 84,186	46 %	$ 97,143	41 %	$ —	— %	$ —	— %	$ —	— %	$ 266,696	45 %
Greater than or equal to 1.2 and less than 1.5	107,856	54 %	67,630	52 %	61,103	32 %	—	— %	—	— %	—	— %	236,589	48 %
Greater than or equal to 1.0 and less than 1.2	3,124	56 %	8,825	38 %	3,125	25 %	—	— %	—	— %	—	— %	15,074	39 %
Less than 1.0	—	— %	—	— %	7,975	35 %	5,629	41 %	34,000	31 %	—	— %	47,604	33 %
Total	$ 196,347	51 %	$ 160,641	48 %	$ 169,346	37 %	$ 5,629	41 %	$ 34,000	31 %	$ —	— %	$ 565,963	45 %

	2021		2020		2019		2018		2017		Prior		Total	
As of December 31, 2021:	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 62,548	54 %	$ 80,919	56 %	$ 11,645	49 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ 180,112	49 %
Greater than or equal to 1.2 and less than 1.5	95,738	55 %	102,958	43 %	3,335	22 %	—	— %	—	— %	—	— %	202,031	48 %
Greater than or equal to 1.0 and less than 1.2	7,478	44 %	4,092	36 %	4,734	50 %	—	— %	—	— %	—	— %	16,304	44 %
Less than 1.0	—	— %	8,552	59 %	—	— %	—	— %	—	— %	—	— %	8,552	59 %
Total	$ 165,764	54 %	$ 196,521	49 %	$ 19,714	45 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ 406,999	48 %

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Aging of financing receivables is summarized in the following table (by year of origination):

	2022	2021	2020	2019	2018	Prior	Total
As of December 31, 2022:				(Dollars in thousands)			
Commercial mortgage loans							
Current	$ 425,875	$ 592,468	$ 486,339	$ 591,076	$ 416,132	$ 1,042,668	$ 3,554,558
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	$ 425,875	$ 592,468	$ 486,339	$ 591,076	$ 416,132	$ 1,042,668	$ 3,554,558
Agricultural mortgage loans							
Current	$ 196,347	$ 160,641	$ 166,211	$ 5,629	$ 34,000	$ —	$ 562,828
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	3,135	—	—	—	3,135
Total agricultural mortgage loans	$ 196,347	$ 160,641	$ 169,346	$ 5,629	$ 34,000	$ —	$ 565,963
Residential mortgage loans							
Current	$ 1,915,169	$ 595,363	$ 211,119	$ 27,483	$ 1,710	$ 417	$ 2,751,261
30 - 59 days past due	39,179	8,238	13,073	1,960	—	—	62,450
60 - 89 days past due	6,668	7,165	3,034	57	—	—	16,924
Over 90 days past due	9,702	14,068	6,515	1,762	2,796	—	34,843
Total residential mortgage loans	$ 1,970,718	$ 624,834	$ 233,741	$ 31,262	$ 4,506	$ 417	$ 2,865,478

	2021	2020	2019	2018	2017	Prior	Total
As of December 31, 2021:				(Dollars in thousands)			
Commercial mortgage loans							
Current	$ 592,095	$ 534,839	$ 688,191	$ 459,451	$ 402,400	$ 951,526	$ 3,628,502
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	$ 592,095	$ 534,839	$ 688,191	$ 459,451	$ 402,400	$ 951,526	$ 3,628,502
Agricultural mortgage loans							
Current	$ 165,764	$ 196,521	$ 19,714	$ 25,000	$ —	$ —	$ 406,999
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total agricultural mortgage loans	$ 165,764	$ 196,521	$ 19,714	$ 25,000	$ —	$ —	$ 406,999
Residential mortgage loans							
Current	$ 1,092,438	$ 454,532	$ 67,380	$ 16,898	$ 751	$ —	$ 1,631,999
30 - 59 days past due	10,284	12,363	11,373	427	—	—	34,447
60 - 89 days past due	1,838	1,090	102	—	—	—	3,030
Over 90 days past due	679	5,459	907	—	—	—	7,045
Total residential mortgage loans	$ 1,105,239	$ 473,444	$ 79,762	$ 17,325	$ 751	$ —	$ 1,676,521

Commercial, agricultural and residential mortgage loans are considered nonperforming when they become 90 days or more past due. When loans become nonperforming, we place them on non-accrual status and discontinue recognizing interest income. If payments are received on a nonperforming loan, interest income is recognized to the extent it would have been recognized if normal principal and interest would have been received timely. If payments are received to bring a nonperforming loan back to less than 90 days past due, we will resume accruing interest income on that loan. There were 59 loans in non-accrual status at December 31, 2022 and 13 loans in non-accrual status at December 31, 2021. During the years ended December 31, 2022 and 2021, we recognized interest income of $670 thousand and $36 thousand, respectively, on loans which were in non-accrual status at the respective period end. During the year ended December 31, 2020 we recognized no interest income on loans which were in non-accrual status at the respective period end.

Troubled Debt Restructuring

A Troubled Debt Restructuring ("TDR") is a situation where we have granted a concession to a borrower for economic or legal reasons related to the borrower's financial difficulties that we would not otherwise consider. A mortgage loan that has been granted new terms, including workout terms as described previously, would be considered a TDR if it meets conditions that would indicate a borrower is experiencing financial difficulty and the new terms constitute a concession on our part. We analyze all loans where we have agreed to workout terms and all loans that we have refinanced to determine if they meet the definition of a TDR. We consider the following factors in determining whether or not a borrower is experiencing financial difficulty:

- borrower is in default,
- borrower has declared bankruptcy,
- there is growing concern about the borrower's ability to continue as a going concern,
- borrower has insufficient cash flows to service debt,
- borrower's inability to obtain funds from other sources, and
- there is a breach of financial covenants by the borrower.

If the borrower is determined to be in financial difficulty, we consider the following conditions to determine if the borrower is granted a concession:

- assets used to satisfy debt are less than our recorded investment,
- interest rate is modified,
- maturity date extension at an interest rate less than market rate,
- capitalization of interest,
- delaying principal and/or interest for a period of three months or more, and
- partial forgiveness of the balance or charge-off.

Mortgage loan workouts, refinances or restructures that are classified as TDRs are individually evaluated and measured for impairment. There were no mortgage loans that we determined to be a TDR at December 31, 2022 and 2021, respectively.

5. Variable Interest Entities

We have relationships with various types of entities which may be VIEs. Certain VIEs are consolidated in our financial results. See *Note 1 - Significant Accounting Policies* for further details on our consolidation accounting policies.

Consolidated Variable Interest Entities

We are invested in four investment company real estate limited partnerships which own various limited liability companies that invest in residential real estate properties and one real estate limited liability company that invests in a commercial real estate property. These entities are VIE's as the legal entities equity investors have insufficient equity at risk and lack of power to direct the activities that most significantly impact the economic performance. We determined we are the primary beneficiary as a result of our power to control the entities through our significant ownership. Due to the nature of the investment company real estate investments, the investments balance will fluctuate based on changes in the fair value of the properties as well as when purchases and sales of properties are made. The investment balance in the commercial real estate property is held at depreciated cost, and is expected to decrease over time.

We are invested in two limited liability companies that invest in operating entities which hold multifamily real estate properties. The entity is a VIE and we have determined we are the primary beneficiary as a result of our power to control the entity through our significant ownership. The investment balance, which represents an equity interest in the limited liability company, fluctuates based on changes in the fair value of the properties and the performance of the operating entities.

We are invested in two limited partnership feeder funds which each invest in a separate limited partnership fund. One fund holds infrastructure credit assets and the other holds tech-centric middle-market loans. In both cases, the feeder fund limited partnerships are VIEs, and we determined we are the primary beneficiary as a result of our significant ownership of the limited partnerships and our obligation to absorb losses or receive benefits from the VIEs. We have consolidated the assets and liabilities of the limited partnerships, which primarily consist of equity interests in limited partnerships.

The carrying amounts of our consolidated VIE assets, which can only be used to settle obligations of the consolidated VIEs, and liabilities of consolidated VIEs for which creditors do not have recourse were as follows:

	December 31,			
	2022		2021	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(Dollars in thousands)			
Real estate investments	$ 1,095,267	$ 78,244	$ 363,229	$ 20,168
Real estate limited liability companies	66,258	287	—	—
Limited partnership funds	620,741	113	168,711	—
	$ 1,782,266	$ 78,644	$ 531,940	$ 20,168

Unconsolidated Variable Interest Entities

We provided debt funding to various special purpose vehicles, which are used to acquire and hold various types of loans or receivables. These legal entities are deemed VIEs because there is insufficient equity at risk. We have determined we are not the primary beneficiary as we do not control the activities that most significantly impact the economic performance of the VIEs. Our investments in these VIEs are reported in Fixed maturity securities, available for sale in the Consolidated Balance Sheets.

In 2021, we provided funding to a limited partnership which purchased a residential business purpose loan originator. The limited partnership was deemed a VIE based on insufficient equity at risk, however, we are not the primary beneficiary due to our lack of control of the limited partnership. In Q4 2022, as a result of equity capital raised from third party investors, the debt funding was repaid to us. We have reassessed the VIE conclusion and concluded the limited partnership no longer meets the definition of a variable interest entity. The unconsolidated VIE disclosures are no longer applicable. The investment will be accounted for as an equity method investment and still be reported in Limited partnerships and limited liability companies in the Consolidated Balance Sheets.

The carrying value and maximum loss exposure for our unconsolidated VIEs were as follows:

	December 31,			
	2022		2021	
	Asset Carrying Value	Maximum Exposure to Loss	Asset Carrying Value	Maximum Exposure to Loss
	(Dollars in thousands)			
Fixed maturity securities, available for sale	$ 1,178,110	$ 1,178,110	$ 459,681	$ 459,681
Other investments	—	—	345,000	345,000

6. Derivative Instruments

We use derivative instruments to manage risks. We have derivatives that are designated as hedging instruments and others that are not designated as hedging instruments. Any change in the fair value of the derivatives is recognized immediately in the Consolidated Statements of Operations.

The notional and fair values of our derivative instruments, including derivative instruments embedded in fixed index annuity contracts, presented in the Consolidated Balance Sheets are as follows:

	December 31, 2022		December 31, 2021	
	Notional	Fair Value	Notional	Fair Value
	(Dollars in thousands)			
Derivatives designated as hedging instruments				
Assets				
Derivative instruments				
Interest rate swaps	$ 408,369	$ 32,769	$ —	$ —
Derivatives not designated as hedging instruments				
Assets				
Derivative instruments				
Call options	$ 38,927,534	$ 397,789	$ 40,091,353	$ 1,276,574
Warrants	2,020	1,169	2,020	906
	$ 38,929,554	$ 398,958	$ 40,093,373	$ 1,277,480
Liabilities				
Policy benefit reserves - annuity products				
Fixed index annuities - embedded derivatives, net		$ 4,820,845		$ 7,964,961
Funds withheld for reinsurance liabilities				
Reinsurance related embedded derivative		(441,864)		(2,362)
		$ 4,378,981		$ 7,962,599

Derivatives Designated as Hedging Instruments

We use interest rate swaps that are designated and accounted for as fair value hedges to protect a portfolio of fixed-rate fixed maturity securities against changes in fair value due to changes in interest rates. Our interest rate swap contracts allow us to pay a fixed rate and receive a floating rate utilizing the Secured Overnight Financing Rate at specified intervals based on a notional amount. Interest rate swaps are carried at fair value and presented as Derivative instruments on the Consolidated Balance Sheets.

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the portion of the derivative instrument included in the assessment of hedge effectiveness and the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in the same line item in the Consolidated Statements of Operations. The change in unrealized gain or loss attributable to interest rate changes on the fixed maturity securities that are designated as part of the hedge are reclassified out of Accumulated other comprehensive income (loss) into Change in fair value of derivatives in the Consolidated Statements of Operations. The remaining change in unrealized gain or loss on the hedged item not associated with the risk being hedged is recognized as a component of Other comprehensive income.

The following represents the amortized cost and cumulative fair value hedging adjustments included in the hedged assets:

Line Item in the Consolidated Balance Sheets in Which Hedged Item is Included	Amortized Cost of Hedged Item		Cumulative Amount of Fair Value Basis Adjustment Gain (Loss)	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Dollars in thousands)			
Fixed maturities, available for sale:				
Current hedging relationships	$ 389,060	$ —	$ (39,128)	$ —
Discontinued hedging relationships	1,594,736	—	(94,681)	—

The following represents a summary of the gains (losses) related to the derivatives and hedged items that qualify for fair value hedge accounting:

	Derivative	Hedged Item	Net	Amount Excluded: Recognized in Income Immediately
	(Dollars in thousands)			
For the year ended December 31, 2022				
Interest rate swaps	$ 215,587	$ (249,168)	$ (33,581)	$ 13,957
For the year ended December 31, 2021				
Interest rate swaps	$ —	$ —	$ —	$ —
For the year ended December 31, 2020				
Interest rate swaps	$ —	$ —	$ —	$ —

Derivatives Not Designated as Hedging Instruments

We have fixed index annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index. When fixed index annuity deposits are received, a portion of the deposit is used to purchase derivatives consisting of call options on the applicable market indices to fund the index credits due to fixed index annuity policyholders. Substantially all such call options are one year options purchased to match the funding requirements of the underlying policies. The call options are marked to fair value with the change in fair value included as a component of revenues. The change in fair value of derivatives includes the gains or losses recognized at the expiration of the option term and the changes in fair value for open positions. On the respective anniversary dates of the index policies, the index used to compute the index credit is reset and we purchase new call options to fund the next index credit. We manage the cost of these purchases through the terms of our fixed index annuities, which permit us to change caps, participation rates, and/or asset fees, subject to guaranteed minimums on each policy's anniversary date. By adjusting caps, participation rates, or asset fees, we can generally manage option costs except in cases where the contractual features would prevent further modifications.

The changes in fair value of derivatives not designated as hedging instruments included in the Consolidated Statements of Operations are as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Change in fair value of derivatives:			
Call options	$ (1,118,768)	$ 1,347,925	$ 34,604
Warrants	264	810	—
Interest rate swaps	13,957	—	—
Interest rate caps	—	—	62
	$ (1,104,547)	$ 1,348,735	$ 34,666
Change in fair value of embedded derivatives:			
Fixed index annuities - embedded derivatives	$ (2,561,676)	$ (876,803)	$ (1,922,085)
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	648,580	520,863	635,298
Reinsurance related embedded derivative	(439,502)	(2,362)	—
	$ (2,352,598)	$ (358,302)	$ (1,286,787)

The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivatives that is presented as Level 3 liabilities in *Note 2 - Fair Values of Financial Instruments*.

Derivative Exposure

We attempt to mitigate potential risk of loss due to the nonperformance of the counterparties through a regular monitoring process which evaluates the program's effectiveness. We do not purchase derivative instruments that would require payment or collateral to another institution and our derivative instruments do not contain counterparty credit-risk-related contingent features. We are exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, we purchase our derivative instruments from multiple counterparties and evaluate the creditworthiness of all counterparties prior to purchase of the contracts. All non-exchange traded derivative instruments have been purchased from nationally recognized financial institutions with a Standard and Poor's credit rating of A- or higher at the time of purchase and the maximum credit exposure to any single counterparty is subject to concentration limits. Both our call options and interest rate swaps fall under the same credit support agreements with each counterparty that allow us to request the counterparty to provide collateral to us when the fair value of our exposure to the counterparty exceeds specified amounts.

The notional amount and fair value of our call options and interest rate swaps by counterparty and each counterparty's current credit rating are as follows:

			December 31,			
			2022		2021	
Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	Notional Amount	Fair Value	Notional Amount	Fair Value
			(Dollars in thousands)			
Bank of America	A+	Aa2	$ 3,574,125	$ 26,080	$ 3,556,256	$ 99,229
Barclays	A	A1	3,686,896	39,657	4,213,658	157,865
Canadian Imperial Bank of Commerce	A+	Aa2	2,707,734	34,218	3,956,329	141,540
Citibank, N.A.	A+	Aa3	3,748,162	29,873	3,190,833	115,860
Credit Suisse	A-	A3	2,086,470	20,691	3,716,868	113,295
J.P. Morgan	A+	Aa2	6,501,103	69,006	4,482,832	105,899
Morgan Stanley	A+	Aa3	2,957,389	38,470	2,223,743	47,950
Royal Bank of Canada	AA-	A2	4,378,132	58,026	3,567,972	100,472
Societe Generale	A	A1	2,099,081	17,157	2,548,072	86,494
Truist	A	A2	1,960,787	32,885	2,547,808	94,924
Wells Fargo	A+	Aa2	5,436,824	61,840	5,820,381	206,403
Exchange traded			199,200	2,655	266,601	6,643
			$ 39,335,903	$ 430,558	$ 40,091,353	$ 1,276,574

As of December 31, 2022 and 2021, we held $0.4 billion and $1.3 billion, respectively, of cash and cash equivalents and other investments from counterparties for derivative collateral, which is included in Other liabilities on our Consolidated Balance Sheets. This derivative collateral limits the maximum amount of economic loss due to credit risk that we would incur if the counterparties failed completely to perform according to the terms of the contracts to $3.3 million and $8.5 million at December 31, 2022 and 2021, respectively.

The future index credits on our fixed index annuities are treated as a "series of embedded derivatives" over the expected life of the applicable contract. We do not purchase call options to fund the index liabilities which may arise after the next policy anniversary date. We must value both the call options and the related forward embedded options in the policies at fair value.

We cede certain fixed index annuity product liabilities to third party reinsurers on a modified coinsurance basis which results in an embedded derivative. The obligation to pay the total return on the assets supporting liabilities associated with this reinsurance agreement represents a total return swap. The fair value of the total return swap is based on the unrealized gains and losses of the underlying assets held in the modified coinsurance portfolio. The reinsurance related embedded derivative is reported in Funds withheld for reinsurance liabilities on the Consolidated Balance Sheets and the change in the fair value of the embedded derivative is reported in Change in fair value of embedded derivatives on the Consolidated Statements of Operations. See *Note 8 – Reinsurance and Policy Provisions* for further discussion on these reinsurance agreements.

7. Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders

Policy acquisition costs deferred and amortized are as follows:

	December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Balance at beginning of year	$ 2,222,769	$ 2,225,199	$ 3,033,649
Costs deferred during the year:			
Commissions	194,856	303,192	251,428
Policy issue costs	3,767	4,665	3,725
Amortization:			
Amortization	(558,447)	(313,990)	(2,769)
Impact of unlocking	(56,853)	45,662	(646,785)
Effect of net unrealized gains/losses	1,944,039	299,478	(414,049)
Write-off related to in-force ceded reinsurance	(188,056)	(341,437)	—
Balance at end of year	$ 3,562,075	$ 2,222,769	$ 2,225,199

Sales inducements deferred and amortized are as follows:

	December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Balance at beginning of year	$ 1,546,073	$ 1,448,375	$ 2,042,060
Costs deferred during the year	107,691	95,160	93,610
Amortization:			
Amortization	(362,866)	(197,799)	(10,063)
Impact of unlocking	(45,682)	45,107	(428,101)
Effect of net unrealized gains/losses	1,348,134	155,230	(249,131)
Balance at end of year	$ 2,593,350	$ 1,546,073	$ 1,448,375

The following table presents a rollforward of the liability for lifetime income benefit riders (net of coinsurance ceded):

	December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Balance at beginning of year	$ 2,794,629	$ 2,485,123	$ 1,670,750
Benefit expense accrual	387,821	206,180	311,211
Impact of unlocking	(53,042)	243,658	285,825
Effect of net unrealized gains/losses	(996,876)	(101,848)	217,337
Reduction related to in-force ceded reinsurance	(403,406)	(38,484)	—
Claim payments	—	—	—
Balance at end of year	$ 1,729,126	$ 2,794,629	$ 2,485,123

We periodically update the key assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. In addition, we periodically update the assumptions used in determining the liability for lifetime income benefit riders.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions in 2022, 2021 and 2020.

During 2022 and 2021, American Equity Life entered into reinsurance agreements which ceded in-force fixed index annuity product liabilities. As a result, there was a write-off of deferred acquisition costs and a reduction of the liability for lifetime income benefit riders associated with the blocks of in-force liabilities ceded under the agreements. See *Note 8 - Reinsurance and Policy Provisions* for further discussion of these reinsurance agreements.

2022 Assumption Updates

The most significant assumption updates made in 2022 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lapse rate and partial withdrawal assumptions, and lifetime income benefit rider utilization assumptions.

We updated our assumption for investment spread for American Equity Life to remain steady at 2.60% through an eight-year reversion period. We increased our long-term net investment earned rate assumption by 40 basis points with an assumption of 4.25% in the near term increasing to 5.00% over the eight-year reversion period, and we increased our long-term crediting/discount rate assumption by 30 basis points with an assumption of 1.65% in the near term increasing to 2.40% over the eight-year reversion period. In addition, we adjusted the grading of the discount rate assumption in the embedded derivative calculation. This change results in an increase in expected future gross profits and therefore a slight increase in the deferred policy acquisition costs and deferred sales inducements balances. This also results in a decrease in the liability for lifetime income benefit riders due to a higher discount rate.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. We refreshed lapse tables based on 5 years of lapse experience and implemented a 1% lapse floor. For policies with a lifetime income benefit rider that does not charge a fee, we increased the lapse rates. For policies with a lifetime income benefit rider that has been utilized, we decreased the lapse rates. We expanded our partial withdrawal assumptions to include scalars in our assumptions during the surrender charge period, shock period, and post-shock period. This resulted in partial withdrawals extending beyond the surrender charge period. The net impact of the lapse rate and partial withdrawal assumptions resulted in a decrease in expected future gross profits and a decrease in the deferred policy acquisition costs and deferred sales inducements balances. The net impact of these changes resulted in an increase in the liability for lifetime income benefit riders due to higher excess claims and lower gross profits.

We updated our lifetime income benefit rider utilization assumption structure to capture policyholder characteristics at a more granular level. This resulted in an increase in the number of policies utilizing and increased the excess claims. The impact of this change results in an increase in the liability for lifetime income benefit riders and an increase in the deferred policy acquisition costs and deferred sales inducements balances.

2021 Assumption Updates

The most significant assumption updates made in 2021 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lifetime income benefit rider utilization assumptions, mortality assumptions, and lapse rate assumptions as discussed below.

Due to the continued low interest rate environment, we updated our assumption for investment spread for American Equity Life to 2.25% in the near term and increasing to 2.50% over an eight-year reversion period and our assumption for crediting/discount rate to 1.55% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was at 2.60% at then end of an eight-year reversion period, with a near term crediting/discount rate of 1.60% increasing to 2.10% over an eight-year reversion period. The assumption change to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements.

We updated lapse rate and mortality assumptions based on historical experience. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on polices with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The overall mortality assumption was lowered to reflect historical experience. The net impact of the updates to the lapse rate and mortality assumptions resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and mortality assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

We updated the lifetime income benefit rider utilization assumption based on historical experience. The ultimate utilization assumption was lowered for policies with a fee rider and certain policies with a no-fee rider. In addition, the utilization assumption was changed to reflect seasonality with higher utilization rates during the first quarter of each year. The net impact of the updates to the utilization assumption resulted in a decrease in the liability for lifetime income benefit riders due to a lower amount of expected benefits payments due to lower expected utilization. The net impact of the updates to the utilization assumption resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

2020 Assumption Updates

The most significant assumption updates made in 2020 were to investment spread assumptions, including the net investment earned rate and crediting rates on policies, as well as updates to lapse rate and partial withdrawal assumptions.

Due to the economic and low interest rate environments, we updated our assumption for aggregate investment spread to 2.40% in the near-term increasing to 2.60% over an eight-year reversion period and our assumption for crediting/discount rate to 1.60% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was steady at 2.60%, with a near term crediting/discount rate of 1.90% increasing to 2.90% over a 20 year reversion period. The assumption update to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The decrease in the crediting rate, which is used as the discount rate in the calculation of the liability for lifetime income benefit riders, resulted in an increase in the liability for lifetime income benefit riders.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. For certain annuity products without a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were increased while for certain annuity products with a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were decreased. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

8. Reinsurance and Policy Provisions

Coinsurance

We have two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to EquiTrust under these agreements) were $323.7 million and $381.4 million at December 31, 2022 and 2021, respectively. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. The balance due from or due to EquiTrust under these agreements was a $0.8 million receivable and $7.8 million payable at December 31, 2022 and 2021, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due to or from EquiTrust related to monthly settlements of policy activity and other expenses.

We have three coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014 through December 31, 2020, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 through December 31, 2020 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to Athene under these agreements) were $3.1 billion and $3.7 billion at December 31, 2022 and 2021, respectively. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. The balance due under these agreements to Athene was $16.9 million and $74.8 million at December 31, 2022 and 2021, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due from Athene related to monthly settlements of policy activity.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (North End Re reinsurance treaty), a wholly-owned subsidiary of Brookfield Asset Management Reinsurance Partners Ltd. (“Brookfield Reinsurance” or “Brookfield”) to reinsure approximately $4.3 billion of in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinsurance (“modco”) basis and 30% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in both a statutory and supplemental trust (collectively referred to as the “trusts”). The liabilities reinsured on a modco basis are secured by a segregated modco account in which the assets are maintained by American Equity Life. American Equity Life transferred cash of $2.6 billion to the segregated modco account and $1.1 billion to the statutory trust at close of this reinsurance agreement on October 8, 2021. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment partially contingent on certain performance obligations for both parties. The initial net present value of the ceding commission related to the in-force business was $114.1 million.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinsurance basis to North End Re. Effective July 1, 2022, the North End Re reinsurance treaty was amended to include additional fixed index annuity products. As part of this amendment, 75% of an additional block of in-force fixed indexed annuity product liabilities issued after July 1, 2021 was ceded, 70% on a modco basis and 30% on a coinsurance basis. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment being contingent on certain performance obligations for both parties. The initial net present value of the ceding commission related to the flow business ceded in 2022 and 2021 was $67.7 million and $27.1 million, respectively. The asset liability management fee recognized in Other revenue in 2022 and 2021 was $12.7 million and $5.5 million, respectively.

In addition, American Equity Life will receive certain acquisition cost reimbursements and an on-going annual expense reimbursement on each policy subject to the reinsurance agreement for the entirety of the policy duration. Acquisition cost reimbursements will reduce policy acquisition costs deferred.

As a result of the North End Re reinsurance treaty, there is a deferred gain of $481.2 million and $321.7 million which is recorded in Other liabilities as of December 31, 2022 and 2021, respectively. This deferred gain represents the unamortized portion of the cost of reinsurance related to the in-force business and new business which will be amortized over the life of the underlying reinsured policies. The deferred gain consists primarily of the difference between liabilities ceded and assets transferred as part of the reinsurance agreement and the present value of the ceding commissions previously noted offset by a reduction in deferred policy acquisition costs associated with the the in-force business ceded. The amortization of the deferred gain recognized in Other revenue in 2022 and 2021 was $28.4 million and $10.2 million, respectively.

American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re should North End Re fail to meet the obligations it has reinsured.

The assets in the trusts and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and modco account are subject to investment management agreements between American Equity Life and North End Re. The assets in the modco account earned net investment income of $95.4 million and $11.4 million during 2022 and 2021, respectively, which are reflected within the Net investment income line in the Consolidated Statements of Operations and presented net of amounts earned for the benefit of the reinsurer.

As of December 31, 2022 and 2021, coinsurance deposits (aggregate policy benefits reserves transferred to North End Re under these agreements) were $5.7 billion and $4.6 billion, respectively. The balance due under these agreements to North End Re was $124.2 million and $127.9 million which is recorded in Other liabilities at December 31, 2022 and 2021, respectively.

Separate from the reinsurance transaction, Brookfield Reinsurance, has an approximate 18.7% interest in the Company's outstanding common stock as of December 31, 2022. See *Note 15 - Earnings Per Common Share and Stockholders' Equity* for further discussion of Brookfield's ownership.

Effective October 1, 2022 American Equity Life entered into a reinsurance agreement with an unaffiliated reinsurer AeBe ISA LTD (“AeBe”), a Bermuda exempted company affiliated with 26North Holdings LP (“26North”), that is an incorporated segregated account licensed as a Class E reinsurer. Under the agreement, American Equity Life ceded $4.3 billion of certain in-force fixed indexed and fixed rate annuity product liabilities as of October 3, 2022, the effective date of the reinsurance agreement, 75% on a funds withheld coinsurance basis and 25% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in both a statutory and supplemental trust (collectively referred to as the “trusts”). The liabilities reinsured on a funds withheld basis are secured by a segregated funds withheld account in which the assets are maintained by American Equity Life. American Equity Life transferred cash and investments with a fair value of $3.0 billion to the segregated funds withheld account and $1.0 billion to the statutory trust at close of this reinsurance agreement on October 3, 2022. At the close of the reinsurance agreement, American Equity Life received a closing ceding commission of $70.0 million. American Equity Life will also receive certain acquisition cost reimbursements and an on-going annual expense reimbursement on each policy subject to the reinsurance agreement for the entirety of the policy duration.

As a result of the AeBe reinsurance treaty, there is a deferred gain of $126.3 million which is recorded in Other liabilities as of December 31, 2022. This deferred gain represents the unamortized portion of the cost of reinsurance related to the in-force business which will be amortized over the life of the underlying reinsured policies. The deferred gain consists primarily of the difference between liabilities ceded and assets transferred as part of the reinsurance agreement and the closing ceding commission previously noted offset by a reduction in deferred policy acquisition costs associated with the in-force business ceded. The amortization of the deferred gain recognized in Other revenue in 2022 was $2.8 million.

American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to AeBe should AeBe fail to meet the obligations it has reinsured.

The assets in the trusts and funds withheld account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and funds withheld account are subject to investment management agreements between American Equity Life and 26North. The assets in the funds withheld account earned net investment income of $42.3 million during 2022, which is reflected within the Net investment income line in the Consolidated Statements of Operations and presented net of amounts earned for the benefit of the reinsurer.

As of December 31, 2022, coinsurance deposits (aggregate policy benefits reserves transferred to AeBe under these agreements) were $4.2 billion. The balance due under these agreements to AeBe was $38.0 million which is recorded in Other liabilities at December 31, 2022.

American Equity Life has the option to cede liabilities of certain single premium fixed deferred annuities, or policies as otherwise agreed to by parties issued after the treaty effective date, at risk adjusted pricing terms that may be acceptable to American Equity Life at that time. For flow business ceded, American Equity Life will receive an annual ceding commission over the term of the policy of up to 0.50% of the premium received.

Amounts ceded to EquiTrust, Athene, North End Re and AeBe under these agreements are as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Consolidated Statements of Operations			
Annuity product charges	$ 49,093	$ 20,351	$ 7,021
Change in fair value of derivatives	(184,388)	140,641	43,080
	$ (135,295)	$ 160,992	$ 50,101
Interest sensitive and index product benefits	$ 103,542	$ 303,035	$ 152,485
Change in fair value of embedded derivatives	81,907	(76,915)	4,352
Other operating costs and expenses	18,318	16,440	17,663
	$ 203,767	$ 242,560	$ 174,500
Consolidated Statements of Cash Flows			
Annuity deposits	$ (982,176)	$ (424,819)	$ (35,667)
Cash payments to policyholders	1,029,667	984,260	466,311
	$ 47,491	$ 559,441	$ 430,644

We calculate estimated losses on reinsurance recoverable balances by determining an expected loss ratio. The expected loss ratio is based on industry historical loss experience and expected recovery timing adjusted for certain current and forecasted environmental factors management believes to be relevant. Estimated losses related to our reinsurance recoverable balances were $8.7 million and $2.3 million as of December 31, 2022 and 2021, respectively.

We monitor concentration of reinsurance risk with third party reinsurers and monitor concentration as well as financial strength ratings of our reinsurers.

Financing Arrangements

Effective April 1, 2019, we entered into a reinsurance agreement with Hannover Life Reassurance Company of America ("Hannover"), which was treated as reinsurance under statutory accounting practices and as a financing arrangement under GAAP. The statutory surplus benefit under this agreement was eliminated under GAAP and the associated charges were recorded as risk charges and included in Other operating costs and expenses in the Consolidated Statements of Operations. The 2019 Hannover Agreement was a coinsurance funds withheld reinsurance agreement for statutory purposes covering 80% of lifetime income benefit rider payments in excess of policy fund values and waived surrender charges related to penalty free withdrawals on certain business.

We paid a quarterly risk charge based on the pretax statutory benefit as of the end of each calendar quarter. Risk charges attributable to our 2019 agreement with Hannover were $33.1 million and $44.7 million during 2021 and 2020, respectively. Effective October 1, 2021, we recaptured the 2019 Hannover agreement.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a reinsurance agreement with AEL Re Vermont, a wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values on a funds withheld basis ("The AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss ("XOL") reinsurance agreement with Hannover to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement after the funds withheld account balance is exhausted. AEL Re Vermont is permitted to carry the XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP. AEL Re Vermont incurred risk charges of $11.7 million and $2.8 million during the years ended December 31, 2022 and 2021, respectively, in relation to this XOL agreement with Hannover. The risk charges are included in Other operating costs and expenses in the Consolidated Statements of Operations.

Effective December 31, 2021, American Equity Life executed a coinsurance agreement with AEL Re Bermuda, an affiliated Bermuda reinsurer, wholly-owned by American Equity Investment Life Holding Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007. The treaty is maintained on a funds withheld basis.

All intercompany balances have been eliminated in the preparation of the accompanying financial statements.

9. Income Taxes

We file consolidated federal income tax returns that include all of our wholly-owned subsidiaries. Our income tax expense as presented in the consolidated financial statements is summarized as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Consolidated statements of operations:			
Current income taxes	$ 20,209	$ 332	$ 3,430
Deferred income taxes	304,946	128,423	141,071
Total income tax expense included in consolidated statements of operations	325,155	128,755	144,501
Stockholders' equity:			
Expense (benefit) relating to:			
Adoption of expected credit loss model	—	—	(2,543)
Change in net unrealized investment losses	(1,067,791)	(90,284)	225,746
Total income tax expense included in consolidated financial statements	$ (742,636)	$ 38,471	$ 367,704

Income tax expense in the consolidated statements of operations differed from the amount computed at the applicable statutory federal income tax rates of 21% for the years ended December 31, 2022, 2021, and 2020 as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
Income before income taxes	$ 1,546,457	$ 602,747	$ 815,961
Income tax expense on income before income taxes	$ 324,756	$ 126,577	$ 171,352
Tax effect of:			
State income taxes	2,564	5,239	5,749
Tax exempt net investment income	(4,065)	(4,715)	(4,602)
Tax rate differential on net operating loss carryback	—	—	(30,041)
Other	1,900	1,654	2,043
Income tax expense	$ 325,155	$ 128,755	$ 144,501
Effective tax rate	21.0 %	21.4 %	17.7 %

The effective tax rate for the year ended December 31, 2020 was positively impacted by $30.0 million related to the provision of the CARES ACT which allowed net operating losses for 2018 through 2020 to be carried back to previous tax years in which a 35% statutory tax rate was in effect.

Deferred income tax assets or liabilities are established for temporary differences between the financial reporting amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively, in future years. The tax effects of temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2022 and 2021, are as follows:

	December 31,	
	2022	2021
	(Dollars in thousands)	
Deferred income tax assets:		
Policy benefit reserves	$ —	$ 524,412
Credit losses/impairments	10,531	15,275
Net unrealized losses on available for sale fixed maturity securities	578,476	—
Amounts due reinsurer	1,047,159	745,839
Other policyholder funds	358	3,332
Deferred compensation	3,866	3,434
Share-based compensation	422	5,171
Net operating loss carryforwards	50,913	87,314
Other	71,682	1,140
Gross deferred tax assets	1,763,407	1,385,917
Deferred income tax liabilities:		
Deferred policy acquisition costs and deferred sales inducements	(655,164)	(1,170,859)
Net unrealized gains on available for sale fixed maturity securities	—	(489,290)
Derivative instruments	(145,785)	(107,717)
Policy benefit reserves	(566,100)	(98,616)
Investment income items	(155,864)	(56,285)
Other	(19,621)	(5,124)
Gross deferred tax liabilities	(1,542,534)	(1,927,891)
Net deferred income tax asset (liability)	$ 220,873	$ (541,974)

Included in deferred income taxes is the expected income tax benefit attributable to unrealized losses on available for sale fixed maturity securities. There is no valuation allowance provided for the deferred income tax asset attributable to unrealized losses on available for sale fixed maturity securities. We have the intent and ability to hold these securities to maturity or recovery of value, whichever is sooner. Realization of our deferred income tax assets is more likely than not based on expectations as to our future taxable income and considering all other available evidence, both positive and negative. Therefore, no valuation allowance against deferred income tax assets has been established as of December 31, 2022 and 2021.

There were no material income tax contingencies requiring recognition in our consolidated financial statements as of December 31, 2022. Our tax returns are subject to audit by various federal, state and local tax authorities. The Company's income tax returns are subject to examination by the IRS and state tax authorities, generally for three years after they are due or filed, whichever is later. Tax years ended before December 31, 2019 are no longer open to examination by the IRS.

At December 31, 2022 and 2021, we had federal net operating losses of $170.5 million and $419.5 million, respectively, primarily related to a reinsurance transaction that occurred in 2021. The federal net operating losses are carried forward indefinitely. Additionally, at December 31, 2022 and 2021, we had $45.7 million and $0 million, respectively, of capital loss carryforwards for federal income tax purposes that can be carried forward for five years.

10. Notes and Loan Payable

Notes and loan payable includes the following:

	December 31, 2022	December 31, 2021
	(Dollars in thousands)	
Senior notes due 2027		
Principal	$ 500,000	$ 500,000
Unamortized debt issue costs	(2,960)	(3,537)
Unamortized discount	(178)	(213)
Term loan due 2027		
Principal	300,000	—
Principal paydown	(3,750)	—
Unamortized debt issue costs	(1,039)	—
	$ 792,073	$ 496,250

On June 16, 2017, we issued $500 million aggregate principal amount of senior unsecured notes due 2027 which bear interest at 5.0% per year and will mature on June 15, 2027 (the “2027 Notes”). The 2027 Notes were issued at a $0.3 million discount, which is being amortized over the term of the 2027 Notes using the effective interest method. Contractual interest is payable semi-annually in arrears each June 15th and December 15th. The initial transaction fees and costs totaling $5.8 million were capitalized as deferred financing costs and are being amortized over the term of the 2027 Notes using the effective interest method.

On February 15, 2022, we entered into a five-year, $300 million unsecured delayed draw term loan credit agreement. On July 6, 2022, we borrowed $300 million under this agreement. We will pay a floating rate of interest on the term loan utilizing SOFR adjusted for a credit spread. The term loan matures on February 15, 2027 and is amortizing at 2.5% annually for the first three years and 5.0% for the last two years.

On September 30, 2016, we entered into a credit agreement with six banks that provided for a $150 million unsecured revolving line of credit that terminated on September 30, 2021 and a $100 million term loan that was scheduled to terminate on September 30, 2019 but was repaid on June 16, 2017 without penalty.

11. Subordinated Debentures

Our wholly-owned subsidiary trust (which is not consolidated) has issued fixed rate and floating rate trust preferred securities and has used the proceeds from these offerings to purchase subordinated debentures from us. We also issued subordinated debentures to the trust in exchange for all of the common securities of the trust. The sole assets of the trust are the subordinated debentures and any interest accrued thereon. The interest payment dates on the subordinated debentures correspond to the distribution dates on the trust preferred securities issued by the trust. The trust preferred securities mature simultaneously with the subordinated debentures. Our obligations under the subordinated debentures and related agreements provide a full and unconditional guarantee of payments due under the trust preferred securities.

Following is a summary of subordinated debt obligations to the trusts at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021	Interest Rate	Due Date
	(Dollars in thousands)			
American Equity Capital Trust II	$ 78,753	$ 78,421	5%	June 1, 2047

The principal amount of the subordinated debentures issued by us to American Equity Capital Trust II ("Trust II") is $100.0 million. These debentures were assigned a fair value of $74.7 million at the date of issue (based upon an effective yield-to-maturity of 6.8%). The difference between the fair value at the date of issue and the principal amount is being accreted over the life of the debentures. The trust preferred securities issued by Trust II were issued to Iowa Farm Bureau Federation, which owns a majority of FBL Financial Group, Inc. ("FBL"). The consideration received by Trust II in connection with the issuance of its trust preferred securities consisted of fixed income securities of equal value which were issued by FBL.

12. Retirement and Share-based Compensation Plans

We have adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of our full-time employees subject to minimum eligibility requirements. Employees can contribute a percentage of their annual salary (up to a maximum annual contribution of $20,500 in 2022, $19,500 in 2021 and $19,500 in 2020) to the plan. We contribute an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were $3.3 million, $2.7 million and $2.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The following table summarizes compensation expense recognized for employees and directors as a result of share-based compensation:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
ESOP	$ 4,152	$ 3,377	$ 2,908
Employee Incentive Plans	14,454	22,886	7,855
Director Equity Plans	1,053	1,262	1,056
	$ 19,659	$ 27,525	$ 11,819

ESOP

The principal purpose of the American Equity Investment Employee Stock Ownership Plan ("ESOP") is to provide each eligible employee with an equity interest in us. Employees become eligible once they have completed a minimum of six months of service. Employees become 100% vested after two years of service. Our contribution to the ESOP is determined by the Board of Directors.

Employee Incentive Plans

During 2020, the 2016 Employee Incentive Plan ("2016 Plan") was amended and renamed the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan ("Amended Plan"). The Amended Plan increased the number of shares of Common stock reserved for issuance by 3,000,000 shares to 5,500,000 shares of our Common stock which may be issued in the form of grants of options, stock appreciation rights, restricted stock awards and restricted stock units. In addition, the Amended Plan allows for awards to be granted to members of the Board of Directors of the Company.

At December 31, 2022, we had 776,516 shares of common stock available for future grant under the Amended Plan.

We have a long-term performance incentive plan under which certain members of our management team are granted performance-based restricted stock units pursuant to the Amended Plan or the 2016 Plan. During 2022, 2021 and 2020, we granted 229,880, 186,091 and 217,781 restricted stock units under these plans, respectively. For the 2022 and 2021 grants, vesting is tied to threshold, target and maximum performance goals for the three year periods ending December 31, 2024 and December 31, 2023, respectively. Fifty percent of the restricted stock units will vest if we meet threshold goals, 100% of the restricted stock units will vest if we meet target performance goals and 200% of the restricted stock units will vest if we meet maximum performance goals. For the 2020 grant, vesting is tied to threshold, target and maximum performance goals for the three year period ending December 31, 2022. Fifty percent of the restricted stock units will vest if we meet threshold goals, 100% of the restricted stock units will vest if we meet target performance goals and 150% of the restricted stock units will vest if we meet maximum performance goals. Compensation expense is recognized over the three year vesting period based on the likelihood of meeting threshold, target and maximum goals. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant.

During 2022, 2021 and 2020 we granted 159,494, 199,597 and 133,429, respectively, time-based restricted stock units to employees under the Amended Plan or the 2016 Plan. These grants vest one to three years following the grant date provided the participant remains employed with us. Shares will vest early upon an employee reaching 65 years of age with 10 years of service with us. Compensation expense is recognized over the vesting period. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant.

During 2022, 2021 and 2020, we granted 0, 391,553 and 105,809, respectively, options to employees under the Amended Plan or the 2016 Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These options vest over a period of one to five years and expire 10 years after the grant date. Compensation expense is recognized over the vesting period.

During 2022, a strategic incentive award was approved under the Amended Plan in which the Chief Executive Officer has the opportunity to earn the value of up to 1.2 million shares of AEL common stock based upon attainment of specified significant sustained increases in AEL's common stock price on or before December 31, 2027. The award has four tranches with a share value objective for each tranche based on AEL's 30-day volume weighted average common stock price. Fifty percent of each tranche is paid in shares of AEL common stock, subject to a stay requirement up to 2 years, and fifty percent of each tranche is paid in cash upon attainment of the share value objective. The portion of the award payable in shares is accounted for as an equity award, and the portion of the award payable in cash is accounted for as a liability award. The fair value of both the equity award and liability award were calculated using a Monte Carlo simulation. Compensation expense is recognized over a service period which is the longer of the stay requirement, where applicable, or a derived service period calculated using a Monte Carlo simulation. There was $4.2 million of compensation expense recognized for the year ended December 31, 2022 for this award.

During 2021 and 2020, we granted 855,052 and 709,958 performance-based options ("Performance Options") to employees under the Amended Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These Performance Options vest based upon the timing of meeting the market condition of a 30-day volume weighted average common stock price of $37.00 per common share. Fifty percent of the Performance Options granted vest upon the later of: (i) the market condition noted above being met; and (ii) the one year anniversary of the Grant Date. The remaining fifty percent of the Performance Options granted vest on the one year anniversary of the vesting of the initial fifty percent of the Performance Options. The market condition for these performance options was met on January 4, 2022. Compensation expense for the Performance Options is recognized over the requisite service period.

Director Equity Plans

During 2022, 2021 and 2020, we issued 32,409, 39,273 and 51,450 shares of common stock under the Amended Plan to our Directors, all of which are restricted stock, and which vest on the earlier of the next annual meeting date or one year from the grant date provided the individual remains a Director during that time period.

Changes in the number of stock options granted to employees outstanding during the years ended December 31, 2022, 2021 and 2020 are as follows:

	Number of Shares	Weighted-Average Exercise Price per Share	Total Exercise Price
	(Dollars in thousands, except per share data)		
Outstanding at January 1, 2020	828,913	$ 19.91	$ 16,506
Granted	815,767	26.70	21,778
Canceled	(31,200)	21.50	(670)
Exercised	(355,563)	16.98	(6,038)
Outstanding at December 31, 2020	1,257,917	25.10	31,576
Granted	1,246,605	29.15	36,336
Canceled	(146,803)	25.44	(3,735)
Exercised	(295,000)	22.88	(6,749)
Outstanding at December 31, 2021	2,062,719	27.84	57,428
Granted	—	—	—
Canceled	(102,143)	27.49	(2,808)
Exercised	(173,782)	24.59	(4,273)
Outstanding at December 31, 2022	1,786,794	28.18	$ 50,347

The following table summarizes information about stock options outstanding at December 31, 2022:

	Stock Options Outstanding			Stock Options Vested		
Range of Exercise Prices	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share
$21.89 - $26.72	375,820	7.83	$ 26.07	126,224	8.01	$ 26.72
$27.05 - $32.58	1,410,974	8.10	28.74	606,322	8.09	28.71
$21.89 - $32.58	1,786,794	8.05	28.18	732,546	8.08	28.37

The aggregate intrinsic value for stock options outstanding and vested awards was $31.2 million and $12.6 million, respectively, at December 31, 2022. For the years ended December 31, 2022, 2021 and 2020, the total intrinsic value of options exercised by officers, directors and employees was $3.7 million, $1.2 million and $2.2 million, respectively. Intrinsic value for stock options is calculated as the difference between the exercise price of the underlying awards and the price of our common stock as of the reporting date. Cash received from stock options exercised for the years ended December 31, 2022, 2021 and 2020 was $4.3 million, $6.7 million and $6.0 million, respectively.

During 2022, a new incentive plan was approved under which certain members of management are awarded an initial cash grant that can accumulate additional value based on the performance of certain private asset investments during the vesting period. The cash grant cliff vests after three years. Plan participants must remain employed during the three-year vesting period to earn the award. The award may continue to grow in value subsequent to the three-year vesting period, assuming the plan participant remains employed by the Company. Plan participants can elect either a lump sum cash payout or annual cash installments over time (up to 15 years). There was $6.7 million of compensation expense recognized for the year ended December 31, 2022 for these awards.

13. Statutory Financial Information and Dividend Restrictions

Statutory accounting practices prescribed or permitted by regulatory authorities for our life insurance subsidiaries differ from GAAP. Net income (loss) for our primary life insurance subsidiary as determined in accordance with statutory accounting practices was as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
American Equity Life	$ 151,857	$ (863,818)	$ (34,467)

Statutory capital and surplus for our primary life insurance subsidiary was as follows:

	December 31,	
	2022	2021
	(Dollars in thousands)	
American Equity Life	$ 3,692,602	$ 4,078,532

American Equity Life is domiciled in the State of Iowa and is regulated by the Iowa Insurance Division. In some instances, the Iowa Insurance Division has adopted prescribed or permitted statutory accounting practices that differ from the required accounting outlined in National Association of Insurance Commissioners ("NAIC") Statutory Accounting Principles ("SAP"). For the year ended December 31, 2022, American Equity Life's use of prescribed statutory accounting practices resulted in higher statutory capital and surplus of $83.0 million relative to NAIC SAP due to its accounting for call option derivative instruments and fixed index annuity reserves. For the year ended December 31, 2021, American Equity Life's use of the same prescribed statutory accounting practice resulted in lower statutory capital and surplus of $210.2 million. We purchase call options to hedge the growth in interest credited on fixed index products. The Iowa Insurance Division allows an insurer to elect (1) to use an amortized cost method to account for such call options and (2) to use a fixed index annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero.

Prior approval of regulatory authorities is required for the payment of dividends to the parent company by American Equity Life which exceed an annual limitation. American Equity Life may pay dividends without prior approval, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) net gain from operations before net realized capital gains/losses for the preceding calendar year or, (2) 10% of the American Equity Life's surplus at the preceding year-end. The amount of dividends permitted to be paid by American Equity Life to its parent company without prior approval of regulatory authorities is $369.3 million as of December 31, 2022.

The Parent Company relies on its subsidiaries for cash flow, which has primarily been in the form of investment management fees and dividends. Retained earnings in our consolidated financial statements primarily represent undistributed earnings of American Equity Life. As such, our ability to pay dividends is limited by the regulatory restriction placed upon insurance companies as described above. In addition, American Equity Life retains funds to allow for sufficient capital for growth.

14. Commitments and Contingencies

We lease our office spaces and certain equipment under various operating leases. Rent expense for the years ended December 31, 2022, 2021 and 2020 totaled $5.2 million, $3.8 million and $4.2 million, respectively. At December 31, 2022, the aggregate future minimum lease payments are $28.5 million. The following represents payments due by period for operating lease obligations as of December 31, 2022 (dollars in thousands):

Year Ending December 31:	
2023	$ 3,792
2024	4,112
2025	3,985
2026	3,587
2027	2,014
2028 and thereafter	11,013

We are occasionally involved in litigation, both as a defendant and as a plaintiff. In addition, state and federal regulatory bodies, such as state insurance departments, the Securities and Exchange Commission ("SEC") and the Department of Labor, regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws and the Employee Retirement Income Security Act of 1974, as amended.

In accordance with applicable accounting guidelines, we establish an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. As a litigation or regulatory matter is developing we, in conjunction with outside counsel, evaluate on an ongoing basis whether the matter presents a loss contingency that meets conditions indicating the need for accrual and/or disclosure, and if not, the matter will continue to be monitored for further developments. If and when the loss contingency related to litigation or regulatory matters is deemed to be both probable and estimable, we will establish an accrued liability with respect to that matter and will continue to monitor the matter for further developments that may affect the amount of the accrued liability.

There can be no assurance that any pending or future litigation will not have a material adverse effect on our business, financial condition, or results of operations.

In addition to our commitments to fund mortgage loans, we have unfunded commitments at December 31, 2022 to limited partnerships of $1.7 billion and to fixed maturity securities of $237.4 million.

Through our FHLB membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of December 31, 2022, we had $300.0 million of FHLB funding agreements outstanding. We are required to provide collateral in excess of the funding agreement amounts outstanding. The fixed maturity security investments pledged for collateral had a fair value of $1.2 billion at December 31, 2022.

15. Earnings Per Common Share and Stockholders' Equity

Earnings Per Common Share

The following table sets forth the computation of earnings per common share and earnings per common share - assuming dilution:

	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands, except per share data)		
Numerator:			
Net income available to common stockholders - numerator for earnings per common share	$ 1,177,269	$ 430,317	$ 637,945
Denominator:			
Weighted average common shares outstanding	90,558,121	93,860,378	92,055,035
Effect of dilutive securities:			
Stock options and deferred compensation agreements	523,248	271,422	93,014
Restricted stock and restricted stock units	456,759	359,359	244,447
Denominator for earnings per common share - assuming dilution	91,538,128	94,491,159	92,392,496
Earnings per common share	$ 13.00	$ 4.58	$ 6.93
Earnings per common share - assuming dilution	$ 12.86	$ 4.55	$ 6.90

There were no options to purchase shares of our common stock outstanding excluded from the computation of diluted earnings per common share during the years ended December 31, 2022, 2021 and 2020, as the exercise price of all options outstanding was less than the average market price of our common shares for those periods.

Stockholders' Equity

On June 10, 2020, we issued 12,000 shares of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B ("Series B") with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $290.3 million.

On November 21, 2019 we issued 16,000 shares of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A ("Series A") with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $388.9 million.

Dividends on the Series A and Series B preferred stock are payable on a non-cumulative basis only when, as and if declared, quarterly in arrears on the first day of March, June, September and December of each year, commencing on March 1, 2020 for Series A and on December 1, 2020 for Series B. For the year ended December 31, 2022, 2021, and 2020, we paid dividends totaling $23.8 million, $23.8 million, and $24.5 million, respectively, for Series A preferred stock and $19.9 million, $19.9 million, and $9.0 million, respectively, for Series B preferred stock. The Series A and Series B preferred stock rank senior to our common stock with respect to dividends, to the extent declared, and in liquidation, to the extent of the liquidation preference. The Series A and Series B preferred stock are not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions.

Brookfield Asset Management Equity Investment

On October 18, 2020, we announced an agreement with Brookfield Asset Management, Inc. and its affiliated entities (collectively, "Brookfield") under which Brookfield would acquire up to a 19.9% ownership interest of common stock in the Company. The equity investment by Brookfield took place in two stages: an initial purchase of a 9.9% equity interest at $37.00 per share which closed on November 30, 2020 with Brookfield purchasing 9,106,042 shares, and a second purchase of an additional 6,775,000 shares which were issued to Brookfield at $37.33 per share in January of 2022, resulting in total ownership of approximately 16%. Brookfield also received the right to nominate one candidate for the Company's Board of Directors following the initial equity investment.

Share Repurchase Program

As part of a share repurchase program, the Company's Board of Directors approved the repurchase of Company common stock of $500 million on October 18, 2020, an additional $500 million on November 19, 2021, and an additional $400 million on November 11, 2022. The share repurchase program has offset dilution from the issuance of shares to Brookfield, and its purpose remains to institute a regular cash return program for shareholders.

From the 2020 inception of the share repurchase program through December 31, 2022, we have repurchased approximately 23.9 million shares of our common stock at an average price of $34.74 per common share, including 14.8 million shares repurchased during the year ended December 31, 2022. As of December 31, 2022, we had $569 million remaining under our share repurchase program.

Treasury Stock

As of December 31, 2022, we held 24,590,353 shares of treasury stock with a carrying value of $823.1 million. As of December 31, 2021, we held 9,936,715 shares of treasury stock with a carrying value of $260.6 million.

Schedule I—Summary of Investments—
Other Than Investments in Related Parties

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

December 31, 2022

Column A	Column B	Column C	Column D
Type of Investment	Amortized Cost (1)	Fair Value	Amount at which shown in the balance sheet
	(Dollars in thousands)		
Fixed maturity securities:			
Available for sale:			
U.S. Government and agencies	$ 173,638	$ 169,071	$ 169,071
States, municipalities and territories	4,356,251	3,822,982	3,822,982
Foreign corporate securities and foreign governments	748,770	676,852	676,852
Corporate securities	27,706,440	24,161,921	24,161,921
Residential mortgage backed securities	1,492,242	1,377,611	1,377,611
Commercial mortgage backed securities	4,098,755	3,687,478	3,687,478
Other asset backed securities	6,289,923	5,908,702	5,908,702
Total fixed maturity securities	44,866,019	39,804,617	39,804,617
Mortgage loans on real estate	6,949,027	6,502,463	6,949,027
Real estate investments	1,053,569	1,056,063	1,056,063
Derivative instruments	425,097	431,727	431,727
Limited partnerships and limited liability companies	1,266,779		1,266,779
Other investments	1,818,144		1,817,085
Total investments	$ 56,378,635		$ 51,325,298

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and short-term investments, unpaid principal balance less allowance for credit losses for mortgage loans, original cost reduced by impairments and/or depreciation for real estate investments, amortized cost for derivative instruments and original cost adjusted for equity in earnings and distributions for limited partnerships and limited liability companies.

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Balance Sheets

(Dollars in thousands)

	December 31,	
	2022	2021
Assets		
Cash and cash equivalents	$ 531,347	$ 362,245
Equity securities of subsidiary trusts	2,360	2,353
Receivable from subsidiaries	8,868	2,783
Notes receivable from subsidiaries	85,654	165,000
Federal income tax recoverable, including amount from subsidiaries	267,076	217,174
Other assets	33,990	20,134
	929,295	769,689
Investment in and advances to subsidiaries	3,437,579	6,387,912
Total assets	$ 4,366,874	$ 7,157,601
Liabilities and Stockholders' Equity		
Liabilities:		
Notes and loan payable	$ 792,073	$ 496,250
Subordinated debentures payable to subsidiary trusts	78,753	78,421
Deferred income taxes	268,639	223,304
Other liabilities	58,186	36,499
Total liabilities	1,197,651	834,474
Stockholders' equity:		
Preferred stock, Series A	16	16
Preferred stock, Series B	12	12
Common stock	84,810	92,514
Additional paid-in capital	1,325,316	1,614,374
Accumulated other comprehensive income (loss)	(2,155,055)	1,848,789
Retained earnings	3,914,124	2,767,422
Total stockholders' equity attributable to American Equity Investment Life Holding Company	3,169,223	6,323,127
Total liabilities and stockholders' equity	$ 4,366,874	$ 7,157,601

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Operations

(Dollars in thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Revenues:			
Net investment income	$ 6,733	$ 114	$ 1,115
Dividends from subsidiary trusts	155	159	167
Dividends from subsidiaries	325,000	250,000	—
Investment advisory fees	110,094	126,643	114,228
Surplus note interest from subsidiary	4,080	4,080	4,080
Change in fair value of derivatives	—	—	62
Loss on extinguishment of debt	—	—	(2,024)
Other revenue	19,153	8,511	346
Total revenues	465,215	389,507	117,974
Expenses:			
Interest expense on notes and loan payable	32,098	25,581	25,552
Interest expense on subordinated debentures issued to subsidiary trusts	5,331	5,324	5,557
Other operating costs and expenses	114,792	72,435	46,686
Total expenses	152,221	103,340	77,795
Income before income taxes and equity in undistributed income of subsidiaries	312,994	286,167	40,179
Income tax expense (benefit)	(1,067)	11,565	13,142
Income before equity in undistributed income of subsidiaries	314,061	274,602	27,037
Equity in undistributed income of subsidiaries	906,883	199,390	644,423
Net income available to American Equity Investment Life Holding Company stockholders	1,220,944	473,992	671,460
Less: Preferred stock dividends	43,675	43,675	33,515
Net income available to American Equity Investment Life Holding Company common stockholders	$ 1,177,269	$ 430,317	$ 637,945

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Table of Contents

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2022	2021	2020
Operating activities			
Net income available to American Equity Investment Life Holding Company stockholders	$ 1,220,944	$ 473,992	$ 671,460
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for depreciation and amortization	4,925	1,232	1,138
Accrual of discount on equity security	(7)	(10)	(3)
Equity in undistributed income of subsidiaries	(906,883)	(199,390)	(644,423)
Non cash dividend from subsidiaries	—	(80,000)	—
Change in fair value of derivatives	—	—	(62)
Loss on extinguishment of debt	—	—	2,024
Accrual of discount on debenture issued to subsidiary trust	332	309	289
Share-based compensation	6,023	10,235	3,303
Deferred income taxes	45,335	222,714	6,408
Changes in operating assets and liabilities:			
Receivable from subsidiaries	(6,085)	(365)	(1,208)
Federal income tax recoverable/payable	(49,902)	(222,569)	(3,879)
Other assets	(16,363)	(5,054)	(320)
Other liabilities	21,687	21,819	7,617
Net cash provided by operating activities	320,006	222,913	42,344
Investing activities			
Change in notes receivable from subsidiaries	79,346	(165,000)	—
Repayment of equity securities	—	—	2,445
Contribution to subsidiaries	(137,002)	—	(210,000)
Purchases of property, plant and equipment	(1,432)	(12,642)	(48)
Net cash used in investing activities	(59,088)	(177,642)	(207,603)
Financing activities			
Financing fees incurred and deferred	(1,235)	—	—
Repayment of loan payable	(3,750)	—	—
Proceeds from issuance of loan payable	300,000	—	—
Repayment of subordinated debentures	—	—	(81,450)
Proceeds from issuance of common stock	253,978	4,844	338,061
Acquisition of treasury stock	(566,567)	(99,415)	(165,094)
Proceeds from issuance of preferred stock, net	—	—	290,260
Dividends paid on common stock	(30,567)	(31,450)	(28,859)
Dividends paid on preferred stock	(43,675)	(43,675)	(33,515)
Net cash provided by (used in) financing activities	(91,816)	(169,696)	319,403
Increase (decrease) in cash and cash equivalents	169,102	(124,425)	154,144
Cash and cash equivalents at beginning of year	362,245	486,670	332,526
Cash and cash equivalents at end of year	$ 531,347	$ 362,245	$ 486,670
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest on notes and loan payable	$ 31,288	$ 25,000	$ 25,000
Interest on subordinated debentures	5,000	5,000	6,181

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Note to Condensed Financial Statements

December 31, 2022

1. Basis of Presentation

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of American Equity Investment Life Holding Company (Parent Company).

In the Parent Company financial statements, its investment in and advances to subsidiaries are stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition and net unrealized gains/losses on the subsidiaries' fixed maturity securities classified as "available for sale" and equity securities.

See *Note 10- Notes and Loan Payable* and *Note 11 - Subordinated Debentures* to our audited consolidated financial statements in this Form 10-K for a description of the Parent Company's notes payable and subordinated debentures payable to subsidiary trusts.

Schedule III—Supplementary Insurance Information

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E
	Deferred policy acquisition costs	Future policy benefits, losses, claims and loss expenses	Unearned premiums	Other policy claims and benefits payable
	(Dollars in thousands)			
As of December 31, 2022: Life insurance	$ 3,562,075	$ 61,118,134	$ —	$ 512,790
As of December 31, 2021: Life insurance	$ 2,222,769	$ 65,477,778	$ —	$ 226,844
As of December 31, 2020: Life insurance	$ 2,225,199	$ 62,352,882	$ —	$ 240,904

Column A	Column F	Column G	Column H	Column I	Column J
	Premium revenue	Net investment income	Benefits, claims, losses and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses
	(Dollars in thousands)				
For the year ended December 31, 2022: Life insurance	$ 250,093	$ 2,307,463	$ (1,023,301)	$ 615,300	$ 277,045
For the year ended December 31, 2021: Life insurance	$ 300,833	$ 2,037,475	$ 2,543,779	$ 268,328	$ 274,617
For the year ended December 31, 2020: Life insurance	$ 290,609	$ 2,182,078	$ 744,389	$ 649,554	$ 214,745

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule IV—Reinsurance

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E	Column F
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percent of amount assumed to net
			(Dollars in thousands)		
Year ended December 31, 2022					
Life insurance in force, at end of year	$ 44,003	$ 4,761	$ 43,607	$ 82,849	52.63 %
Insurance premiums and other considerations:					
Annuity product charges	$ 279,447	$ 49,093	$ —	$ 230,354	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	19,660	91	170	19,739	0.86 %
	$ 299,107	$ 49,184	$ 170	$ 250,093	0.07 %
Year ended December 31, 2021					
Life insurance in force, at end of year	$ 48,943	$ 5,131	$ 46,119	$ 89,931	51.28 %
Insurance premiums and other considerations:					
Annuity product charges	$ 262,982	$ 20,351	$ —	$ 242,631	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	58,150	117	169	58,202	0.29 %
	$ 321,132	$ 20,468	$ 169	$ 300,833	0.06 %
Year ended December 31, 2020					
Life insurance in force, at end of year	$ 52,234	$ 5,925	$ 49,577	$ 95,886	51.70 %
Insurance premiums and other considerations:					
Annuity product charges	$ 258,248	$ 7,021	$ —	$ 251,227	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	39,323	139	198	39,382	0.50 %
	$ 297,571	$ 7,160	$ 198	$ 290,609	0.07 %

See accompanying Report of Independent Registered Public Accounting Firm.

Exhibit 21.2

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Subsidiaries of American Equity Investment Life Holding Company

	State of Organization
Insurance Subsidiaries:	
American Equity Investment Life Insurance Company	Iowa
American Equity Investment Life Insurance Company of New York	New York
Eagle Life Insurance Company	Iowa
AEL Re Vermont Inc.	Vermont
AEL Re Bermuda Ltd.	Bermuda
Noninsurance Subsidiaries:	
AE Capital, LLC	Iowa
AEL Financial Services, LLC	North Carolina
AERL, L.C.	Iowa
American Equity Investment Properties, L.C.	Iowa
American Equity Capital Trust II	Delaware
BH JV (Berm FW) Multifamily Investors, LLC	Delaware
BH JV Multifamily Investors, LLC	Delaware
High Trestle Investment Management, LLC	Iowa
M-A LPI Holdings, LLC	Delaware
M-LPI Resort Holdings, LLC	Delaware
M-LPI Resort Owner, LLC	Delaware
NC Securities Holdco, LLC	North Carolina
North Wolf Bay Holdings, LLC	Delaware
PBH Stonecastle, LLC	Delaware
Residential Investment Trust	Delaware
Residential Investment Trust - Berm FW	Delaware
Residential Investment Trust II	Delaware
Residential Investment Trust III	Delaware
Residential Investment Trust III - Berm FW	Delaware
Residential Investment Trust III-E	Delaware
Residential Investment Trust III - Verm FW	Delaware
Residential Investment Trust IV	Delaware
Residential Investment Trust IV - Berm FW	Delaware
Residential Investment Trust V	Delaware
Stonecastle Apartments Holdings, LLC	Delaware
Vantage at Westover Owner, LLC	Delaware
Vantage at Westover Parent, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements:

(1) Registration Statement (Form S-3 No.333-268611) of American Equity Investment Life Holding Company
(2) Registration Statement (Form S-3 No. 333-267065) of American Equity Investment Life Holding Company
(3) Registration Statement (Form S-3 No. 333-233544) of American Equity Investment Life Holding Company
(4) Registration Statement (Form S-8 No. 333-238940) pertaining to the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan
(5) Registration Statement (Form S-8 No. 333-214885) pertaining to the American Equity Investment Life Holding Company 2013 Director Equity and Incentive Plan
(6) Registration Statement (Form S-8 No. 333-213545) pertaining to the American Equity Investment Life Holding Company 2016 Employee Incentive Plan
(7) Registration Statement (Form S-8 No. 333-175355) pertaining to the American Equity Investment Life Holding Company 2011 Director Stock Option Plan
(8) Registration Statement (Form S-8 No. 333-167755) pertaining to the American Equity Investment Life Holding Company 2009 Employee Incentive Plan, and
(9) Registration Statement (Form S-8 No. 333-127001) pertaining to the 1996 Stock Option Plan, 2000 Employee Stock Option Plan, 2000 Director Stock Option Plan, 1997 Management Subscription Rights Plan, and Restated and Amended Stock Option and Warrant Agreement with David J. Noble of American Equity Investment Life Holding Company

of our reports dated February 28, 2023, with respect to the consolidated financial statements and schedules of American Equity Investment Life Holding Company and subsidiaries and the effectiveness of internal control over financial reporting of American Equity Investment Life Holding Company and subsidiaries included in this Annual Report (Form 10-K) of American Equity Investment Life Holding Company for the year ended December 31, 2022.

/s/ Ernst & Young LLP

Des Moines, Iowa
February 28, 2023

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statements (No. 333-268611, No. 333-267065, and No. 333-233544) on Form S-3 and the registration statements (No. 333-238940, No. 333-214885, No. 333-213545, No. 333-175355, No. 333-167755, and No. 333-127001) on Form S-8 of our report dated March 1, 2021, with respect to the consolidated financial statements and financial statement schedules II to IV of American Equity Investment Life Holding Company.

/s/ KPMG LLP

Des Moines, Iowa
February 28, 2023

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anant Bhalla, certify that:

1. I have reviewed this annual report on Form 10-K of American Equity Investment Life Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2023

By: /s/ Anant Bhalla
Anant Bhalla
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Axel Andre, certify that:

1. I have reviewed this annual report on Form 10-K of American Equity Investment Life Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2023

By: /s/ Axel Andre
Axel Andre
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2022 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Anant Bhalla, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2023

By: /s/ Anant Bhalla
Anant Bhalla
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2022 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Axel Andre, Chief Financial Officer and Executive Vice President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2023

By: /s/ Axel Andre
Axel Andre
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

At American Equity Investment Life Holding Company, our policyholders work with over 40,000 independent agents and advisors affiliated with independent marketing organizations (IMOs), banks and broker-dealers through our wholly-owned operating subsidiaries. Advisors and agents choose one of our leading annuity products best suited for their client's personal needs to create financial dignity in retirement. To deliver on its promises to policyholders, American Equity has re-framed its investments focus – building a stronger emphasis on insurance liability driven asset allocation and specializing in alternate, private asset management while partnering with world renowned, public fixed income asset managers. American Equity is headquartered in West Des Moines, Iowa with additional offices in Charlotte, NC, and New York, NY. For more information, please visit www.american-equity.com.

AEL™

American Equity Investment Life Holding Company®

6000 Westown Parkway
West Des Moines, Iowa 50266
515-221-0002 | 888-221-1234
www.american-equity.com

00AR-AEAR

EXHIBIT 12(b)

Annual Report of AEL Holdco for the Year-End 2021

AMERICAN EQUITY

INVESTMENT LIFE HOLDING COMPANY®

Annual Report 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission File Number: 001-31911

American Equity Investment Life Holding Company
(Exact name of registrant as specified in its charter)

Iowa	**42-1447959**
(State or other jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

6000 Westown Parkway
West Des Moines, Iowa 50266
(Address of principal executive offices, including zip code)

(515) 221-0002
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $1	AEL	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A	AELPRA	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B	AELPRB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $1

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes ☐ No ☒

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $2,945,865,287 based on the closing price of $32.32 per share, the closing price of the common stock on the New York Stock Exchange on June 30, 2021.

Shares of common stock outstanding as of February 23, 2022: 96,949,174

Documents incorporated by reference: Portions of the registrant's definitive proxy statement for the annual meeting of shareholders to be held June 10, 2022, which will be filed within 120 days after December 31, 2021, are incorporated by reference into Part III of this report.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2021
TABLE OF CONTENTS

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PART I

Item 1. Business

Introduction

We are a leader in the development and sale of fixed index and fixed rate annuity products. We were incorporated in the state of Iowa on December 15, 1995. We issue fixed annuity products through our wholly-owned life insurance subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York") and Eagle Life Insurance Company ("Eagle Life"). We have one business segment which represents our core business comprised of the sale of fixed index and fixed rate annuities. We are licensed to sell our products in 50 states and the District of Columbia. Throughout this report, unless otherwise specified or the context otherwise requires, all references to "American Equity", the "Company", "we", "our" and similar references are to American Equity Investment Life Holding Company and its consolidated subsidiaries.

Investor related information, including periodic reports filed on Forms 10-K, 10-Q and 8-K and any amendments may be found on our website at *www.american-equity.com* as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission ("SEC"). In addition, we have available on our website our: (i) code of business conduct and ethics; (ii) audit and risk committee charter; (iii) compensation and talent management committee charter; (iv) nominating and corporate governance committee charter and (v) corporate governance guidelines. The information incorporated herein by reference is also electronically accessible from the SEC's website at *www.sec.gov*.

Annuity Market Overview

Our target market includes individuals, typically ages 40 or older, who are seeking to accumulate tax-deferred savings or create guaranteed lifetime income. We believe that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U.S. Census Bureau, there were approximately 54 million Americans age 65 and older in 2019, representing approximately 16.5% of the U.S. population, up from 14% in 2015. This group is expected to continue to grow and is expected to be over 20% of the total U.S. population during the next decade. Our fixed index and fixed rate annuity products are particularly attractive to this group due to their principal protection, competitive rates of credited interest, tax-deferred growth, guaranteed lifetime income and alternative payout options. Our competitive fixed index and fixed rate annuity products have enabled us to enjoy favorable growth in client assets in recent years and since our formation.

According to Secure Retirement Institute, with preliminary data for 4Q2021, total U.S. annuity sales in 2021 were $254.8 billion, up 16.3% compared to $219.1 billion in 2020. Fixed annuity sales totaled $130.8 billion in 2021, up 8.8% compared to $120.2 billion in 2020. This market is directly comparable to the target market for our products. Fixed index annuity sales totaled $63.7 billion in 2021, up 14.4% compared to $55.7 billion in 2020. Fixed rate deferred annuity sales were $53.4 billion in 2021, up 3.3% compared to $51.7 billion in 2020. Outside of fixed annuities, the other growing part of the U.S. annuity market was the registered index-linked annuity market. Sales in this market were $39.1 billion in 2021, up 62.9% compared to $24.0 billion in 2020.

Strategy

While the business looks considerably different today than it did when it was started back in 1995, the themes have been consistent. We offer our customers simple fixed and fixed index annuity products, which we primarily sell through independent insurance agents in the independent marketing organization (“IMO”) distribution channel. We have consistently been a leader in the IMO market. We benefit from two secular trends: the demographic trends of people retiring or getting close to retirement who want to accumulate wealth through index based investing while protecting their principal and the need of retirees and pre-retirees to have a way to deaccumulate their wealth into income for life. A traditional brokerage based equity bond portfolio can’t really meet these unique needs, but a fixed index annuity can as part of holistic financial plan. Finally, there is a scarcity value to what we do: that is originating billions of dollars of annuity funding each year at scale from the IMO channel, which is generally longer term funding than that achieved through sales in the bank and broker dealer channel.

In the past decade, the fixed and fixed index annuity market has seen many new entrants and as a result has become more competitive. Adding to that, low interest rates have made it more difficult for traditional, core investment grade fixed income asset allocations to support return expectations on annuity liabilities.

With these changes in the macro environment, we began to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. AEL 2.0 is designed to capitalize on the scarcity value of our annuity origination and couple it with an “open architecture” investment management platform for investing the annuity assets. Our approach to investment management is to partner with best in class investment management firms across a wide array of asset classes and capture part of the asset management value chain economics for our shareholders. This will enable us to operate at the intersection of both asset management and insurance. Our updated strategy focuses on four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities.

The Go-to-Market pillar focuses on how we generate long-term client assets, referred to as policyholder funds under management, through annuity product sales. We consider our marketing capabilities and franchise to be one of our core competitive strengths. The liabilities we originate result in stable, long-term attractive funding, which is invested to earn a spread and return over the prudent level of risk capital. American Equity Life has become one of the leading insurance companies in the IMO distribution channel over our 25-year history and can tap into a core set of loyal independent producers to originate new annuity product sales. We are focused on growing our loyal producers with one million dollars or greater of annuity product sales each year. We plan to increase our share of annuity product sales generated by IMOs and accelerate our expansion into bank, broker dealer and registered investment advisor distribution through our subsidiary, Eagle Life. Our strategy is to improve sales execution and enhance producer loyalty with product solutions, focused marketing campaigns, distribution analytics to enhance both sales productivity and producer engagement and new client engagement models that complement traditional physical face-to-face interactions.

The Investment Management pillar is focused on generating a strong return on assets which, in turn, will generate adequate spread income to support our liabilities, operations, and profitability. In an environment where risk free interest rates continue to be historically low, insurers need to invest for better risk-adjusted yields than what are available in traditional fixed income securities. Our investment strategy is to supplement our core fixed income investment portfolio with opportunistic investments in alpha-producing specialty sub-sectors like middle market credit and sectors with contractually strong cash flows like real estate and infrastructure. We execute on this strategy by forming partnerships with certain asset managers that will provide access to specific asset sectors, resulting in a sustainable supply of quality private investments, in addition to traditional fixed income securities. The partnerships with asset managers may include us taking an equity interest in the asset manager to create greater alignment or forming an alternate economic sharing arrangement so we benefit as our partners scale their platforms with third party assets under management.

The Capital Structure pillar is focused on greater use of reinsurance structuring to both optimize asset allocation for our balance sheet and enable American Equity Life to free up capital and become a capital-light company over time. We worked diligently to complete in 2021 the announced reinsurance partnership with Brookfield Asset Management Reinsurance Partners Ltd. and its affiliated entities (collectively, "Brookfield Reinsurance" or "Brookfield") and the formation of our own reinsurance platforms. The use of reinsurance will enable us to achieve three business outcomes over time: first, free up capital to potentially return to shareholders, second, redeploy capital into higher yielding alpha generating assets to grow investment income relative to new money yields in a traditional core fixed income portfolio and third, successfully demonstrating the first two outcomes will allow us to raise third-party capital into reinsurance vehicles ("side-cars") to provide risk capital to back a portion of our existing liabilities and future sales of annuity products. This will enable us to convert from an investment spread business with our own capital at risk into a combination spread based and fee based business with externally sourced risk capital. In combination, these three outcomes are likely to generate sustained, deployable capital for shareholders and significant accretion in return on equity (“ROE”) over time.

The Foundational Capabilities pillar is focused on upgrading our operating platform to enhance the digital customer experience, create differentiation through data analytics to support the first three pillars, enhance core technology and align talent. We have maintained high quality personal service as one of our highest priorities since our inception and continue to strive for an unprecedented level of timely and accurate service to both our agents and policyholders. Examples of our high quality service include a live person answering phone calls and issuing policies within 24 hours of receiving the application if the paperwork is in good order. We believe high quality service is one of our strongest competitive advantages and the foundational capabilities pillar will look to continue to enhance our high quality service.

The combination of differentiated investment strategies and increased capital efficiency improves annuity product competitiveness, thereby enhancing new business growth potential and further strengthening the operating platform. This completes the virtuous cycle of the AEL 2.0 business model, having started with a strong, at scale annuity originator, that is even further strengthened by the power of the investments and capital structure pillars.

During 2021, we made significant progress in the execution of the AEL 2.0 strategy. Key areas of progress include the following:

- we continued revitalization of our Go-to-Market strategy pillar. We regained relevance and growth in the IMO distribution channel, built additional distribution through independent broker dealers and banks with Eagle Life, focused on growing sales that convert to reinsured liabilities to drive "fee like" earnings and emerged as a talent magnet and builder of next generation distribution capabilities. We completed a complete refresh of the general account "Shield series" product suite for the IMO channel and focused the Eagle Life product portfolio on fixed index annuities with newer market indices and client crediting strategies. Income Shield remains the number one guaranteed income product in the industry with a 10-year surrender charge period. We have also negotiated a purchase agreement to acquire a broker dealer to enter into the registered products market.

- we continued to build out our investment management pillar capabilities. We transitioned the management of our core fixed income and private placement investments to BlackRock Financial Management, Inc. and entered into an agreement with Conning, Inc. to manage assets for our Bermuda reinsurer once that entity is fully functional. In addition, we re-tooled our investment management platform, expanded our underwriting and risk capital allocation lens for additional sectors, and expanded our capabilities in commercial real estate lending. We also created and expanded relationships with specialty asset managers to target certain sub-sectors and began leveraging those partnerships to invest in private assets including single-family rentals and short term mortgage loans. In 2021, we added $3.4 billion of private assets to the investment portfolio.

- we continued to optimize our capital structure to drive sustained free cash flow. We completed a reinsurance treaty with North End Re (Cayman) SPC (“North End Re”), a wholly owned subsidiary of Brookfield Reinsurance that covers both a portion of our in-force and a portion of new business flow. This transaction will start to drive our evolution to a higher return on equity business through building a capital efficient, return on assets model by providing attractive fee-like revenues on assets. We established AEL Re Bermuda Ltd., a wholly owned subsidiary domiciled in Bermuda, and executed a reinsurance treaty to transfer a block of in-force policies to this entity which operates in a jurisdiction with a principles based regulatory regime for both sides of the balance sheet. We also completed the restructuring of the redundant reserve financing for policies with a fee based lifetime income benefit rider which resulted in an improved

RBC ratio for American Equity Life and quarterly expense savings compared to the prior financing. See *Note 9 - Reinsurance and Policy Provisions* for more information.

In the next few years, we expect to migrate to a capital efficient business model with increased fee-like earnings. We will scale our investments into higher returning private assets, grow reinsured liabilities to side-cars to grow return on asset earnings, and write new business that converts us from the traditional spread based return on equity model to a "fee like" return on assets model through reinsurance.

Products

Annuities offer our policyholders a tax-deferred means of accumulating retirement savings, as well as a reliable source of income during the payout period. When our policyholders deposit cash for an annuity, we account for these receipts as policy benefit reserves in the liability section of our consolidated balance sheet. The annuity deposits collected, by product type, during the three most recent fiscal years are as follows:

	Year Ended December 31,					
	2021		2020		2019	
Product Type	Deposits Collected	Deposits as a % of Total	Deposits Collected	Deposits as a % of Total	Deposits Collected	Deposits as a % of Total
	(Dollars in thousands)					
Fixed index annuities	$ 3,450,547	58 %	$ 2,337,578	64 %	$ 4,705,541	95 %
Annual reset fixed rate annuities	6,483	— %	8,225	— %	11,444	— %
Multi-year fixed rate annuities	2,452,994	41 %	1,303,133	35 %	234,226	5 %
Single premium immediate annuities	59,816	1 %	33,461	1 %	12,002	— %
	$ 5,969,840	100 %	$ 3,682,397	100 %	$ 4,963,213	100 %

Fixed Index Annuities

Fixed index annuities allow policyholders to earn index credits based on the performance of a particular index without the risk of loss of their account value. Most of these products allow policyholders to transfer funds once a year among several different crediting strategies, including one or more index based strategies and a traditional fixed rate strategy. Bonus products represented 65%, 75% and 76% of our net annuity account values at December 31, 2021, 2020 and 2019, respectively. The initial annuity deposit on these policies is increased at issuance by a specified premium bonus ranging from 5% to 10%. Generally, the surrender charge and bonus vesting provisions of our policies are structured such that we have comparable protection from early termination between bonus and non-bonus products.

The annuity contract value is equal to the sum of premiums paid, premium bonuses and interest credited ("index credits" for funds allocated to an index based strategy), which is based upon an overall limit (or "cap") or a percentage (the "participation rate") of the appreciation (based in certain situations on monthly averages or monthly point-to-point calculations) in a recognized index or benchmark. Caps and participation rates limit the amount of interest the policyholder may earn in any one contract year and may be adjusted by us annually subject to stated minimums. Caps generally range from 1% to 12% and participation rates range from 10% to 175%. In addition, some products have a spread or "asset fee" generally ranging from 0.75% to 5%, which is deducted from interest to be credited. For products with asset fees, if the appreciation in the index does not exceed the asset fee, the policyholder's index credit is zero. The minimum guaranteed surrender values are equal to no less than 87.5% of the premium collected plus interest credited at an annual rate ranging from 0.5% to 3%.

The initial caps and participation rates are largely a function of the cost of the call options we purchase to fund the index credits, the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to caps and participation rates, we take into account the cost of the call options we purchase to fund the index credits, yield on our investment portfolio, annuity surrender and withdrawal assumptions and crediting rate history for particular groups of annuity policies with similar characteristics.

Fixed Rate Annuities

Fixed rate deferred annuities include annual, multi-year rate guaranteed products ("MYGAs") and single premium deferred annuities ("SPDAs") . Our annual reset fixed rate annuities have an annual interest rate (the "crediting rate") that is guaranteed for the first policy year. After the first policy year, we have the discretionary ability to change the crediting rate once annually to any rate at or above a guaranteed minimum rate. Our MYGAs and SPDAs are similar to our annual reset products except that the initial crediting rate on MYGAs is guaranteed for up to seven years before it may be changed at our discretion while the initial crediting rate on SPDAs is guaranteed for either three or five years. The minimum guaranteed rate on our annual reset fixed rate deferred annuities ranges from 1.00% to 4.00%, the initial guaranteed rate on our multi-year rate guaranteed deferred annuities ranges from 1.00% to 4.00% and the initial guaranteed rate on our SPDAs ranges from 1.45% to 2.65%.

The initial crediting rate is largely a function of the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to crediting rates, we take into account the yield on our investment portfolio, experience factors and crediting rate history for particular groups of annuity policies with similar characteristics. As of December 31, 2021, crediting rates on our outstanding fixed rate deferred annuities generally ranged from 1.0% to 4.0%. The average crediting rates on our outstanding annual reset and multi-year rate guaranteed fixed rate deferred annuities at December 31, 2021 were 1.64% and 2.37%, respectively.

We also sell single premium immediate annuities ("SPIAs"). Our SPIAs provide a series of periodic payments for a fixed period of time or for life, according to the policyholder's choice at the time of issue. The amounts, frequency and length of time of the payments are fixed at the outset of the annuity contract. SPIAs are often purchased by persons at or near retirement age who desire a steady stream of payments over a future period of years.

Withdrawal Options - Fixed Index and Fixed Rate Annuities

Policyholders are typically permitted penalty-free withdrawals up to 10% of the contract value in each year after the first year, subject to limitations. Withdrawals in excess of allowable penalty-free amounts are assessed a surrender charge during a penalty period which ranges from 5 to 17 years for fixed index annuities and 3 to 15 years for fixed rate annuities from the date the policy is issued. This surrender charge initially ranges from 5% to 20% for fixed index annuities and 8% to 20% for fixed rate annuities of the contract value and generally decreases by approximately one-half to two percentage points per year during the surrender charge period. For certain policies, the premium bonus is considered in the establishment of the surrender charge percentages. For other policies, there is a vesting schedule ranging from 9 to 14 years that applies to the premium bonus and any interest earned on that premium bonus. Surrender charges and bonus vesting are set at levels aimed at protecting us from loss on early terminations and reducing the likelihood of policyholders terminating their policies during periods of increasing interest rates. This practice enhances our ability to maintain profitability on such policies. Policyholders may elect to take the proceeds of the annuity either in a single payment or in a series of payments for life, for a fixed number of years or a combination of these payment options.

Information on surrender charge protection and net account values are as follows:

	December 31,		
	2021	**2020**	**2019**
		(Dollars in thousands)	
Annuity Surrender Charges:			
Average years at issue	11.8	12.4	12.7
Average years remaining	5.5	6.1	6.7
Average surrender charge percentage remaining	9.1 %	9.9 %	10.8 %
Annuity Account Value (net of coinsurance)	$ 53,191,277	$ 54,056,725	$ 53,233,898

A significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities have been issued with a lifetime income benefit rider. This rider provides an additional liquidity option to policyholders. With the lifetime income benefit rider, a policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value. The amount of the lifetime income benefit available is determined by the growth in the policy's income account value and the policyholder's age at the time the policyholder elects to begin receiving lifetime income benefit payments. The growth in the policy's income account value is based on the growth rate specified in the policy which ranges from 3.0% to 8.5% and the time period over which that growth rate is applied which ranges from 5 to 20 years for the majority of these policies. Generally, the time period consists of an initial period of up to 10 years and the policyholder has the option to elect to continue the time period for an additional period of up to 10 years. We have the option to either increase the rider fee or decrease the specified growth rate, depending on the specifics of the policy, at the time the policyholder elects to continue the time period. Lifetime income benefit payments may be stopped and restarted at the election of the policyholder. Policyholders have the choice of selecting a rider with a base level of benefit for no explicit fee or paying a fee for a rider that has a higher level of benefits, and since 2013 we have issued products where the addition of a rider to the policy is completely optional. Rider fees range from 0.15% to 1.60% of either the policy's account value or the policy's income account value. The additional value to the policyholder provided by these riders through the lifetime income benefit base is not transferable to other contracts, and we believe the riders will improve the persistency of the contract.

Investments/Spread Management

Investment activities are an integral part of our business, and net investment income is a significant component of our total revenues. Profitability of our annuity products is significantly affected by spreads between interest yields on investments, the cost of options to fund the index credits on our fixed index annuities and rates credited on our fixed rate annuities and the fixed rate strategy in our fixed index annuities. We manage the index-based risk component of our fixed index annuities by purchasing call options on the applicable indices to fund the index credits on these annuities and by adjusting the caps, participation rates and asset fees on policy anniversary dates to reflect the change in the cost of such options which varies based on market conditions. All options are purchased on the respective policy anniversary dates, and new options are purchased on each of the anniversary dates to fund the next index credits. All credited rates on annual reset fixed rate deferred annuities and the fixed rate strategy in fixed index annuities may be changed annually, subject to minimum guarantees. Changes in caps, participation rates and asset fees on fixed index annuities and crediting rates on fixed rate and fixed index annuities may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition and other factors, including the potential for increases in surrenders and withdrawals, may limit our ability to adjust or to maintain caps, participation rates, asset fees and crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

For additional information regarding the composition of our investment portfolio and our interest rate risk management, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Investments, Quantitative and Qualitative Disclosures About Market Risk and *Note 4 - Investments* to our audited consolidated financial statements.

Marketing/Distribution

We market our products through a variable cost distribution network, including independent agents through IMOs, broker/dealers, banks and registered investment advisors. We emphasize high quality service to our agents, distribution partners and policyholders along with the prompt payment of commissions to our agents and distribution partners. We believe this has been significant in building excellent relationships with our distribution network.

Our independent agents and agencies range in profile from national sales organizations to personal producing general agents. A value proposition that we emphasize with agents is they have direct access to our senior leadership, giving us an edge over larger and foreign-owned competitors. We also emphasize our products, service and our focused fixed annuity expertise. We also have favorable relationships with our IMOs, which have enabled us to efficiently sell through an expanded number of independent agents.

The independent agent distribution system is comprised of insurance brokers and marketing organizations. We are pursuing a strategy to increase the efficiency of our independent agent distribution network by strengthening our relationships with key IMOs and are alert for opportunities to establish relationships with organizations not presently associated with us. These organizations typically recruit agents for us by advertising our products and our commission structure through direct mail advertising or seminars for insurance agents and brokers. We monitor agent activity and will terminate those who have not produced business for us in recent periods and are unlikely to sell our products in the future. The IMOs bear most of the cost incurred in marketing our products. We compensate marketing organizations by paying them a percentage of the commissions earned on new annuity policy sales generated by the agents recruited by such organizations. American Equity Life has relationships with 50 national marketing organizations, through which nearly 25,800 independent agents are under contract. We generally do not enter into exclusive arrangements with these marketing organizations.

Agents contracted with us through two national marketing organizations accounted for approximately 25% of the annuity deposits and insurance premiums collected during 2021, and we expect these organizations to continue as marketers for American Equity Life with a focus on selling our products. The states with the largest share of direct premium collected during 2021 were: Florida (9.3%), Texas (7.5%), Ohio (6.2%), Pennsylvania (5.5%), and New Jersey (4.8%).

Eagle Life's fixed index and fixed rate annuities are distributed pursuant to selling agreements with broker/dealers, banks and registered investment advisors. Eagle Life has 84 broker-dealer/firm selling agreements, through which nearly 10,700 representatives are appointed. Twenty-four of these agreements are with broker/dealers affiliated with banks. Relationships with certain of these firms are facilitated by third party wholesalers who promote Eagle Life and are compensated based upon the sales of the firms they have contracted with Eagle Life. We are developing our employee wholesaling force, which will be a key to our success at Eagle Life. Beginning in 2020, the majority of our third-party wholesaling partners no longer market Eagle Life products to new accounts as new account acquisition is handled almost entirely on an internal basis. American Equity Life to a lesser extent also sells through broker/dealers and we have introduced products specifically for this distribution channel.

Competition and Ratings

We operate in a highly competitive industry. Our annuity products compete with fixed index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank products and other investment and retirement funding alternatives offered by asset managers, banks, and broker/dealers. Our insurance products compete with products of other insurance companies, financial intermediaries and other institutions based on a number of features, including crediting rates, index options, policy terms and conditions, service provided to distribution channels and policyholders, ratings, reputation and distributor compensation.

The sales agents for our products use the ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market. The degree to which ratings adjustments have affected and will affect our sales and persistency is unknown. Following is a summary of American Equity Life's financial strength ratings:

	Financial Strength Rating	Outlook Statement
A.M. Best Company, Inc.		
January 2011 - current	A-	Stable
S&P Global		
August 2020 - current	A-	Stable
March 2020 - August 2020	A-	Negative
August 2015 - March 2020	A-	Stable
June 2013 - August 2015	BBB+	Positive
October 2011 - June 2013	BBB+	Stable
Fitch Ratings Ltd.		
April 2021 - current	A-	Stable
April 2020 - April 2021	A-	Negative
August 2019 - April 2020	A-	Stable
September 2018 - August 2019	BBB+	Positive
May 2013 - September 2018	BBB+	Stable

Financial strength ratings generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. Generally, rating agencies base their ratings upon information furnished to them by the insurer and upon their own investigations, studies and assumptions. Ratings are based upon factors of concern to policyholders, agents and intermediaries and are not directed toward the protection of investors and are not recommendations to buy, sell or hold securities.

In addition to the financial strength ratings, rating agencies use an "outlook statement" to indicate a medium or long-term trend which, if continued, may lead to a rating change. A positive outlook indicates a rating may be raised and a negative outlook indicates a rating may be lowered. A stable outlook is assigned when ratings are not likely to be changed. Outlook statements should not be confused with expected stability of the insurer's financial or economic performance. A rating may have a "stable" outlook to indicate that the rating is not expected to change, but a "stable" outlook does not preclude a rating agency from changing a rating at any time without notice.

In March 2021, A.M. Best affirmed its rating outlook on the U.S. life/annuity sector as ‘negative’, reflecting its view that while annuity writers have maintained strong capital and liquidity positions, the segment faces a number of challenges and threats. In May 2021, Fitch revised its rating outlook on the U.S. life insurance sector to 'stable' from ‘negative’, reflecting the improved macroeconomic environment and reduced concerns regarding asset quality deterioration within general account investment portfolios. In January 2022, S&P affirmed its rating outlook on the U.S. life insurance sector as 'stable', reflecting its expectation that companies in the sector will be able to navigate uncertainty without a significant negative impact on their credit quality.

A.M. Best financial strength ratings currently range from "A++" (superior) to "F" (in liquidation), and include 16 separate ratings categories. Within these categories, "A++" (superior) and "A+" (superior) are the highest, followed by "A" (excellent) and "A-" (excellent) then followed by "B++" (good) and "B+" (good). Publications of A.M. Best indicate that the "A-" rating is assigned to those companies that, in A.M. Best's opinion, have demonstrated an excellent ability to meet their ongoing obligations to policyholders.

S&P financial strength ratings currently range from "AAA" (extremely strong) to "R" (under regulatory supervision), and include 21 separate ratings categories, while "NR" indicates that S&P has no opinion about the insurer's financial strength. Within these categories, "AAA" and "AA" are the highest, followed by "A" and "BBB". Publications of S&P indicate that an insurer rated "A-" is regarded as having strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are higher rated insurers.

Fitch financial strength ratings currently range from "AAA" (exceptionally strong) to "C" (distressed). Ratings of "BBB-" and higher are considered to be "secure," and those of "BB+" and lower are considered to be "vulnerable."

A.M. Best, S&P and Fitch review their ratings of insurance companies from time to time. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if, in their judgment, circumstances so warrant. If our ratings were to be negatively adjusted for any reason, we could experience a material decline in the sales of our products and the persistency of our existing business, as well as an increase in the cost of debt or equity financing.

Reinsurance

We follow the industry practice of reinsuring a portion of our annuity risks with third party reinsurers. Our reinsurance agreements play a part in managing our regulatory capital, risk and returns.

Coinsurance

American Equity Life has three coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. Athene has received a financial strength rating of "A" (Excellent) with a stable outlook from A.M. Best.

American Equity Life has two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. EquiTrust has received a financial strength rating of "B++" (Good) with a stable outlook from A.M. Best.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (“North End Re reinsurance treaty”), a wholly owned subsidiary of Brookfield Reinsurance to reinsure certain in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinsurance (“modco”) basis and 30% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in trusts with American Equity Life as the beneficiary. The liabilities reinsured on a modco basis are secured by assets held by American Equity Life in a segregated modco account. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment partially contingent on certain performance obligations for both parties.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinsurance basis to North End Re. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment being contingent on certain performance obligations for both parties.

Although American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re, should North End Re fail to meet the obligations it has reinsured the assets in the trusts and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and modco account are subject to investment management agreements between American Equity Life and North End Re.

Financing Arrangements

Effective April 1, 2019, we entered into a coinsurance agreement with Hannover Life Reassurance Company of America ("Hannover") covering 80% of lifetime income benefit rider payments in excess of policy fund values and waived surrender charges related to penalty free withdrawals on certain business (the "2019 Hannover Agreement"). The 2019 Hannover Agreement was treated as reinsurance under statutory accounting practices and as a financing arrangement under U.S. generally accepted accounting principles ("GAAP"). Under GAAP, the statutory surplus benefit under the 2019 Hannover Agreement was eliminated and the associated charges were recorded as risk charges that were included in other operating costs and expenses in the consolidated statements of operations. Effective October 1, 2021, we recaptured the 2019 Hannover agreement.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Vermont Inc., a wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values on a funds withheld basis ("the AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss reinsurance agreement (the "XOL treaty") with Hannover, to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement upon exhaustion of the funds withheld account balance under the AEL Re Vermont Agreement.

AEL Re Vermont is permitted to carry the XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The XOL treaty does not satisfy risk transfer and is treated as a financing agreement. The associated charges are recorded as risk charges that are included in other operating costs and expenses in the consolidated statements of operations.

Effective December 31, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Bermuda, an affiliated Bermuda reinsurer wholly owned by American Equity Investment Life Holding Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007 on a funds withheld basis.

The impact of all intercompany reinsurance agreements and related intercompany balances have been eliminated in the preparation of the accompanying consolidated financial statements.

For more information regarding reinsurance, see *Note 9 - Reinsurance and Policy Provisions* to our audited consolidated financial statements. For risks involving reinsurance see "Item 1A. Risk Factors."

Regulation

General Scope of Insurance Regulation

Life insurance companies are subject to regulation and supervision by the states in which they transact business. State insurance laws establish supervisory agencies with broad regulatory authority, including the power to:

- grant and revoke licenses to transact business;
- regulate and supervise trade practices and market conduct;
- establish guaranty associations;
- license agents;
- approve policy forms;
- approve premium rates for some lines of business;
- establish reserve requirements;
- prescribe the form and content of required financial statements and reports;
- determine the reasonableness and adequacy of statutory capital and surplus;
- perform financial, market conduct and other examinations;
- define acceptable accounting principles for statutory reporting;
- regulate the type and amount of permitted investments;
- establish requirements for reinsurance credit;
- prescribe the terms of agreements between or among affiliates;
- approve changes in direct or indirect ownership above certain thresholds;
- review corporate governance practices; and
- limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval.

Our life subsidiaries are subject to periodic examinations by state regulatory authorities. In 2020, the Iowa Insurance Division completed financial examinations of American Equity Life and Eagle Life for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life's or Eagle Life's statutory financial statements as a result of these examinations. In 2020, the New York Department of Financial Services completed its financial examination of American Equity Life of New York for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life of New York's statutory financial statements as a result of this examination.

State regulators also review matters related to us and our life subsidiaries in connection with requests for regulatory approval of transactions. For example, in 2021 we successfully applied for regulatory approval from Iowa and New York regulators for our reinsurance arrangements with North End Re and for transactions among us and our affiliates for intra-enterprise services and allocation of tax costs.

We also established captive reinsurers in Vermont and in Bermuda in 2021, which required the approval of regulators in those jurisdictions and initiated our regulation by those authorities. Iowa regulators also approved the related reinsurance arrangements. Bermuda regulations address matters such as fitness and adequate knowledge and expertise to engage in insurance, and impose solvency, auditing, and reporting requirements.

Dividends, Distributions, and Transactions Among Affiliates

The payment of dividends or distributions, including surplus note payments, by our life subsidiaries is subject to regulation by each subsidiary's state of domicile's insurance department. Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's statutory net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory surplus at the prior year-end. For 2022, up to $407.9 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. American Equity Life had $2.4 billion of statutory earned surplus at December 31, 2021.

Most states have also enacted regulations on the activities of insurance holding company systems, including acquisitions, extraordinary dividends, the terms of surplus notes, the terms of affiliate transactions, corporate governance, risk management, and other related matters. We are registered pursuant to such legislation in Iowa. A number of state legislatures have also considered or have enacted legislative proposals that alter and, in many cases, increase the authority of state agencies to regulate insurance companies and holding company systems.

Acquisition and Exercise of Control

Most states, including Iowa and New York where our life subsidiaries are domiciled, have enacted legislation or adopted administrative regulations affecting the acquisition of control of insurance companies as well as transactions between insurance companies and persons controlling them. The nature and extent of such legislation and regulations currently in effect vary from state to state. However, most states require administrative approval of the direct or indirect acquisition of 10% or more of the outstanding voting securities of an insurance company incorporated in the state. The acquisition of 10% of such securities is generally deemed to be the acquisition of "control" for the purpose of the holding company statutes and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also administrative approval prior to the acquisition. In many states, the insurance authority may find that "control" in fact does not exist in circumstances in which a person owns or controls more than 10% of the voting securities. In 2021, Brookfield Reinsurance received Iowa and New York regulatory approval to increase its ownership of our common stock, and chose to increase its ownership to 16%.

Risk-Based Capital Requirements

The National Association of Insurance Commissioners ("NAIC") risk-based capital ("RBC") requirements are intended as an early warning tool for regulators to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. The RBC formula defines a minimum capital standard which supplements low, fixed minimum capital and surplus requirements previously implemented on a state-by-state basis. Such requirements are not designed as a ranking mechanism for adequately capitalized companies.

The NAIC's RBC requirements provide for four levels of regulatory attention depending on the ratio of a company's total adjusted capital to its RBC. Adjusted capital is defined as the total of statutory capital and surplus, asset valuation reserve and certain other adjustments. Calculations using the NAIC formula at December 31, 2021, indicated that American Equity Life's ratio of total adjusted capital to the highest level at which regulatory action might be initiated was 400%.

Reserves Adequacy

Our life subsidiaries, and our affiliated captive reinsurers, must annually analyze their statutory reserves adequacy. In each case, a qualified actuary must submit an opinion that states that the statutory reserves make adequate provision, according to accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the subsidiary. The actuary considers the adequacy of the statutory reserves in light of the assets held by the insurer with respect to such reserves and related actuarial items, such as the investment earnings on such assets and the consideration the insurer anticipates receiving and retaining under the related policies and contracts. We may increase reserves in order to submit such an opinion without qualification. Our subsidiaries that must provide these opinions did so in 2021 without qualifications.

Investments Regulation

State laws and regulations limit the amount of investments that our U.S. insurance subsidiaries may have in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives, and require diversification of investment portfolios. Investments exceeding regulatory limitations are not admitted for purposes of measuring surplus. In some instances, laws require us to divest any non-qualifying investments.

Derivatives Regulation

We use derivatives, primarily call options, to provide the income needed to fund the annual index credits on our fixed index annuity products. We may also use derivatives to hedge interest rate, foreign currency and additional equity market exposure. As such, we and our counterparties are subject to Dodd-Frank Act regulation of collateral posting, clearing, and reporting of over-the-counter derivatives transactions.

Financial Strength Ratings

Financial strength ratings issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's") are measures of an insurance company's ability to meet policyholder obligations and generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. While not enforced by law, ratings are based upon factors of concern to agents, policyholders and intermediaries and strongly influence an insurer's competitiveness. Factors that could negatively influence financial strength ratings include:

- Sustained reductions in new sales of insurance products;
- Unfavorable operational and/or financial trends;
- Significant losses and/or ratings deterioration in our investment portfolio;
- Changes in equity market levels, interest rates, and market volatility;
- Inability to access capital markets to provide reserve relief;
- Changes in statutory accounting or reserve requirements applicable to our insurance subsidiaries;
- Inability to sustain senior management or other key personnel;
- Rapid or excessive growth; and
- Ineffective enterprise risk management.

Long-Duration Targeted Improvements

The Financial Accounting Standards Board ("FASB") has revised aspects of the measurement models and disclosure requirements for long duration insurance and investment contracts. The revisions include updating cash flow assumptions in the calculation of the liability for traditional life products, introducing the term 'market risk benefit' ("MRB") and requiring all contract features meeting the definition of an MRB to be measured at fair value and simplifying the method used to amortize deferred policy acquisition costs and deferred sales inducements to a constant basis over the expected term of the related contracts rather than based on actual and estimated gross profits and enhancing disclosure requirements. While this revised guidance is effective for us on January 1, 2023, the transition date (the remeasurement date) is January 1, 2021. Early adoption is permitted. We are in the process of evaluating the impact this guidance will have on our consolidated financial statements.

Privacy and Cybersecurity

Various U.S. federal and state government agencies protect the privacy and security of personal information. These laws and rules vary significantly from jurisdiction to jurisdiction. Insurance and other regulators are also increasingly focused on cybersecurity. The NAIC's Insurance Data Security Model Law (the "Cybersecurity Model Law") established standards for data security and for the investigation of and notification to insurance commissioners of cybersecurity events involving unauthorized access to, or the misuse of, certain nonpublic information. The Cybersecurity Model Law imposes regulatory requirements intended to protect the confidentiality, integrity, and availability of information systems. Recent regulations with a significant impact on our operations include the New York Department of Financial Services cybersecurity requirements for financial services companies and the California Consumer Privacy Act. The California Consumer Privacy Act contains protections for individuals, such as notification requirements for data breaches, the right to access personal data and the right to be forgotten.

ERISA

We provide products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Code of 1986, as amended (the "Code"). ERISA and the Code impose restrictions, including fiduciary duties to perform solely in the interests of ERISA plan participants and beneficiaries, and to avoid certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the U.S. Department of Labor ("DOL"), the Internal Revenue Service ("IRS") and the Pension Benefit Guaranty Corporation.

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen, unless an exemption or exception is available. Similarly, without an exemption or exception, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts, as well as insurance policies and annuity contracts we may sell in the future.

Heightened standards of conduct as a result of a fiduciary or best interest standard or other similar rules or regulations could increase the compliance and regulatory burdens on our sales representatives. On February 16, 2021, the DOL's new fiduciary regulation and interpretative guidance regarding the provision of investment advice in retirement accounts became effective. The DOL's final guidance confirms the restatement of the definition of "investment advice" that previously applied but broadens the circumstances under which sales representatives could be considered fiduciaries under ERISA in connection with recommendations to "rollover" assets from a qualified retirement plan to an individual retirement account. This guidance reverses an earlier DOL interpretation suggesting that "rollover" advice did not constitute investment advice giving rise to a fiduciary relationship. We have adapted our business practices accordingly, and continue to adapt them as regulatory requirements evolve.

Broker-Dealer Regulation

One of our subsidiaries is registered with the SEC as a broker-dealer under the Exchange Act and a member of, and subject to regulation by, FINRA. Federal and state securities regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding compliance with securities and other laws and regulations.

London Interbank Offered Rate Developments

The Financial Conduct Authority ("FCA"), the U.K. regulator of the London Interbank Offered Rate ("LIBOR"), previously indicated that it intends to stop persuading or compelling panel banks to submit quotes used to determine LIBOR after 2021. On November 30, 2020, the Intercontinental Exchange ("ICE") Benchmark Administration ("IBA"), the administrator of LIBOR, announced a consultation regarding its intention to cease the publication of one week and two-month U.S. Dollar LIBOR settings at the end of December 2021, but to extend the publication of the remaining U.S. Dollar LIBOR settings (overnight and one, three, six and 12 month U.S. Dollar LIBOR) until the end of June 2023. The IBA intends to share the results of the consultation with the FCA and publish a summary of the responses. U.S. bank regulators acknowledged the announcement and, subject to certain limited exceptions, advised banks to cease writing new U.S. Dollar LIBOR contracts by the end of 2021.

We use LIBOR and other interbank offered rates as interest reference rates in many of our financial instruments. Existing contract fallback provisions, and whether, how, and when we and others develop and adopt alternative reference rates, will influence the effect of any changes to or discontinuation of LIBOR on us. We are identifying, assessing and monitoring market and regulatory developments, assessing agreement terms, and evaluating operational readiness. We also monitor the FASB's, International Accounting Standards Board's, and U.S. Treasury Department's updates on the accounting and tax implications of reference rate reform. We continue to assess current and alternative reference rates' merits, limitations, risks and suitability for our investment and insurance processes.

Pandemic and Public Health Related Conditions and Regulation

The outbreak of COVID-19 and related conditions has created significant economic and financial turmoil both in the U.S. and around the world. Government, regulatory, business, and social reactions to COVID-19 also have significant effects on our business and the conditions in which we operate. For example, governments have imposed vaccination requirements, lock-downs, travel limitations, school closures, and other requirements. All of these conditions have disrupted distribution channels through which we sell our products, including independent agents and their clients. They have, and may continue to, depress economic activity that affects demands for our products. They may also materially affect our investment portfolio.

Guaranty Laws

Our life subsidiaries also may be required, under the solvency or guaranty laws of most states in which they do business, to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's financial strength and, in certain instances, may be offset against future premium taxes.

Environmental Laws and Regulations

We are subject to environmental laws and regulations as an owner and operator of real property, which can include liabilities and costs in connection with any required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We assess real estate we acquire for environmental exposure, but unexpected environmental liabilities may arise.

Other State and NAIC Regulatory Developments

State insurance regulators and the NAIC are continually reexamining existing laws and regulations and developing new legislation for passage by state legislatures and new regulations for adoption by insurance authorities. Proposed laws and regulations or those still under development pertain to insurer solvency and market conduct and in recent years have focused on:

- insurance company investments;
- RBC guidelines, which consist of regulatory targeted surplus levels based on the relationship of statutory capital and surplus, with prescribed adjustments, to the sum of stated percentages of each element of a specified list of company risk exposures;
- suitability/best interest standard;
- the implementation of non-statutory guidelines and the circumstances under which dividends may be paid;
- principles-based reserving;
- own-risk solvency and enterprise risk management assessment;
- cybersecurity assessments;
- product approvals;
- agent licensing; and
- sales practices; and
- algorithmic underwriting.

Other U.S. Federal Initiatives

Historically, the federal government has not directly regulated the business of insurance. However, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation can significantly affect the insurance business. Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") generally provides for enhanced federal supervision of financial institutions, including insurance companies in certain circumstances, and financial activities that represent a systemic risk to financial stability or the U.S. economy. Under the Dodd-Frank Act, a Federal Insurance Office has been established within the U.S. Treasury Department to monitor all aspects of the insurance industry and its authority may extend to our business, although the Federal Insurance Office is not empowered with any general regulatory authority over insurers. The director of the Federal Insurance Office serves in an advisory capacity to the Financial Stability Oversight Council ("FSOC").

Federal Income Tax

Generally, U.S. federal tax law permits tax deferral on the inside build-up of investment value of certain retirement savings, including annuity products, until a contract distribution has occurred. In general, death benefits paid under a life insurance contract are excluded from taxation. Attractiveness of the Company's products for some individuals may depend on the enacted tax rates and the impact on the value of the deferral. Congress from time to time may enact other changes to the tax law that could make our products less attractive to consumers, including legislation that would modify the tax favored treatment of retirement savings, life insurance and annuity products.

Human Capital

Our Team Members

American Equity's growth and innovation strategy leverages our veteran and newly-engaged employees, building on and expanding our long-standing capabilities and adding new expertise. Our human capital management is crucial to our delivery on our decades- and often life-long promises to policyholders, and as we continue to transform into an at-scale origination, spread and capital light fee-based business, and to manage capital to grow as well as produce returns for shareholders. As of December 31, 2021, American Equity employed approximately 800 full-time team members. All of our employees are located in the United States, and none were covered by a collective bargaining agreement. American Equity engaged less than 100 temporary or part-time workers.

Engagement

Our culture is the foundation for our efforts to provide the best products and exemplary customer service, as well as to build an engaged and valued team. We seek to cultivate a culture of growth, innovation, and purposeful teamwork that builds off of our foundation of customer service, stewardship. product integrity, and financial strength. Our cultural beliefs focus on:

- Performing as **One Team** to foster a trusting and transparent environment to work toward common objectives.
- **Inspiring Innovation** by leaving our comfort zones daily to advance the company's goals.
- **Taking Action** to seek the best available information and deliver results.
- **Owning It** by taking responsibility for our actions and growing from our experiences.
- **Breaking Boundaries** to engage in respectful conversations that invite diverse perspectives and experiences.

In 2021, we asked team members to complete a cultural advantage index survey to assess our cultural progress and over 70% responded. We used the results to identify practices we should continue and encourage, as well as areas where we needed to devote more attention to cultivate the culture we need to succeed.

Health and Safety

We continue to protect team member health and safeguard our business in light of the COVID-19 pandemic. We engaged over 90% of our workforce remotely in 2021 for substantially all or the overwhelming majority of their work time. We engaged expert advice to design and deploy safety protocols and facility upgrades for team members while on-site at our main offices in Iowa, and we continued to update benefits, offer well-being programs, and enhance management practices. We offered team members free on-site vaccination and testing at our offices.

Our employee benefits programs support our growing workforce's evolving needs. Healthcare options for benefit-eligible employees aim to maintain affordable team member contribution and proactively promote physical and mental well-being. One measure of the caliber of our benefits in 2021 was that over 85% of our employees chose coverage through our medical plan, and similarly high levels chose dental and/or vision coverage. During 2021, the company paid an average of 84% of participating employees' monthly medical premiums. We also offered out team members a free robust virtual holistic wellness program, in which hundreds took part.

Retirement Benefits

American Equity team members are eligible to participate in our 401(k) plan after thirty days of employment and age 18. We match 100% of team member contributions to the 401(k) plan up to 3% of the employee's total eligible compensation and match 50% of employee contributions up to the next 2% of the employee's total eligible compensation, subject to the Internal Revenue Code (the "Code") limitations.

We also align employee and shareholder interests and promote team members' ownership mindset through our long-standing Employee Stock Ownership Plan ("ESOP"). We make semi-annual discretionary contributions for all employees after a minimum of six months of service, and their interests vest after two years of service.

Training

At American Equity, we encourage and invest in a wide variety of professional development opportunities and in-role stretch assignments. Our employees expanded their skills and expertise through thousands of hours of training in our Academy for Excellence and and LinkedIn Learning in 2021. We also engaged employees through a wide variety of internal and external leadership and subject-matter seminars, degree, and certificate programs.

Community Action

We support and partner with a diverse range of organizations to make a positive difference where our team members live and work. In 2021, we sponsored the LGBTQ Legacy Leader Awards; Black and Brown Business Summit; Central Iowa DEI Awards Minority Scholarship; and Women Lead Change. We also took concrete local action to partner with Pro Iowa to redevelop an EPA superfund site into a multi-use facility for youth and community sports and recreation, and by offering our team members hours of paid time to volunteer in community-building efforts.

Compensation

For more information on our executive compensation programs and how they align with our business strategy and results, see our Proxy Statement to be filed during the second quarter of 2022.

Item 1A. Risk Factors

Any or each of the events described below may (or may continue to) adversely affect our reputation, our regulatory, customer, or other relationships, our business, our net income and results of operations, our expenses, our profitability, our liquidity or cash flows, our statutory capital position, our book value and book value per share, our ability to meet our obligations, our credit and financial strength ratings, our risk-based capital ratios, our financial condition, our cost of capital, or the market price of our common stock. The effects may vary widely from time to time, product to product, market to market, region to region, or segment to segment. Many of these risks are interrelated and could occur under similar business and economic conditions, and the occurrence of any of them may cause others to emerge or worsen. Such combinations could materially increase the severity of the cumulative or separate impact of these risks.

These risk factors are not a complete set of all potential risks that could affect us. You should carefully consider the risk factors together with other information contained in this Annual Report on Form 10-K, including "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in "Financial Statements and Supplementary Data," as well as in other reports and materials we submit to the SEC.

Risks Relating to Our Business and Economic Conditions

1. Our results may differ from our management assumptions, estimates, and models.

Our financial results are based on assumptions and estimates that depend on many factors, none of which are certain. Our actual results may differ significantly from our expectations. As a result, our decisions on products and pricing, calculation of account balances within our financial statements, and the amounts of regulatory and rating agency capital we expect to need to hold may be wrong. Our estimates are based on complex analysis and interpretation of large quantities of data, involve sophisticated judgment and expertise, and are imprecise. We may change our assumptions and estimates from time to time as a result of engaging more sophisticated methods, obtaining additional information, or due to discovery of errors. Our expected pricing expenses and benefits are based on assumptions about how long a policy will remain in force and about mortality and longevity. Our actual experience may differ from our pricing assumptions. We may have to change our actuarial estimates, accelerate amortization of deferred acquisition expenses, increase our policy benefit reserves, or pay higher benefits than we projected. For example, persistency lower than our assumptions may require us to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy.

Certain financial statement balances depend on estimates and assumptions including the calculations of policyholder benefit reserves, derivatives and embedded derivatives, deferred policy acquisition costs and deferred sales inducements, the fair value of investments and valuation allowances. The calculations we use to estimate these balances are complex. We make significant assumptions such as expected index credits, the age when a policyholder may begin to utilize the lifetime income benefit rider, the number of policyholders that may not utilize the lifetime income benefit rider, expected policyholder behavior including expected lapse rates, discount rates and the expected cost of annual call options, any of which may change over time and may be inaccurate. We use judgement in making estimates and assumptions, and our accuracy depends on multiple factors, including market conditions, interest rates, credit conditions, spreads, liquidity, and observable market data. Our investment returns or cash flows may also differ from our expectations.

In addition, our risk management policies, procedures, and models may be imperfect or may not be sufficiently comprehensive. As a result, they may not identify or adequately protect us from every risk to which we are exposed.

2. Interest rate conditions could change.

Interest rate increases or decreases could harm our investment spread, or the difference between yields on our invested assets and our cost of money, the fair value of our investments and the reported value of stockholders' equity and the unrealized gain or loss position of our investment portfolio.

Sustained low interest rates may harm our ability to offer attractive rates and benefits to customers while maintaining profitability. This may reduce our fixed index annuity sales, as consumers seek potentially higher returns. Rising interest rates may lead customers to surrender their policies, increasing our net cash outflows, requiring us to sell assets at a disadvantaged price and accelerating our amortization of deferred policy acquisition costs and deferred sales inducements. Our sales may decline during such times, or we may increase annuity crediting rates but be unable to generate the investment returns or spreads we desire.

3. Our investments may lose value or fail to grow as quickly as we expect due to market, credit, liquidity, concentration, default, and other risks.

Our investments and their performance, including our derivative financial instruments, are subject to credit defaults, market value volatility and changes to credit spreads. The impact of these items can be exacerbated by financial and credit market volatility. We may fail to adjust to market conditions, producing investment portfolio losses. Our portfolio diversification management by asset class, creditor, industry, and other limitations may be inadequate.

We may have to sell investments that are not publicly traded or that otherwise lack liquidity (such as privately placed fixed maturity securities, below investment grade securities, investments in mortgage loans and alternative investments) below fair market values and could incur losses. We may be unable to liquidate positions quickly to meet unexpected policyholder withdrawal obligations.

Our mortgage loans may fail to perform and borrowers may default on their obligations. Declining debt service coverage ratios and increasing loan to value ratios, poor loan performance, borrower or tenant financial difficulties, catastrophes, and other events may harm mortgage carrying values, which could lead to investment losses.

Derivatives margin requirements may increase, and we may be required to post collateral. In addition, our costs may increase due to counterparties' higher capital requirements for derivatives. We may need to liquidate higher yielding assets for cash to cover some or all of these costs.

4. Our option costs could increase.

Our cost of call options, which we use to manage the index-based risk component of our fixed index annuities, may increase due to higher equity market volatility, higher interest rates, or other market factors. We may be unable to effectively mitigate this risk by adjusting caps, participation rates, and asset fees on policy anniversary dates to reflect these increases.

5. We are exposed to counterparty credit risk.

We have counterparty credit risk with other insurance companies through reinsurance. Our efforts to mitigate these risks, such as by securing assets in trusts and requiring the reinsurer to establish a letter of credit or deposit securities in the trusts for any shortfall, may be inadequate to protect us. Where the annuity deposits we ceded are unsecured, our claims would be subordinated to those of the reinsurer's policyholders. Should our reinsurers fail to meet their obligations to us, we remain liable for the ceded policy liabilities. If we were forced to recapture reinsured business, we may have inadequate capital to do so.

We may be unable to use reinsurance to the extent and on the terms we want. As a result, we would have to accept an increase in our net liability exposure or a decrease in our statutory surplus, reduce the amount of business we write, or develop other alternatives.

Our call options counterparties may fail to perform. Our efforts to maintain quality and credit exposure concentration limits may be inadequate to mitigate this risk.

Counterparties' failure to perform their derivative instrument obligations may impose costs on us to fund index credits on our fixed index annuities. We may be unable to enforce our counterparties' obligations to post collateral to secure their obligations to us.

6. The third parties on whom we rely for services may fail to perform or to comply with legal or regulatory requirements.

The third parties who perform various services for us, including sales agents, marketing organizations, investment managers, and information technologists, may fail to meet our performance expectations. Our controls to monitor their service levels and compliance with our rules and legal and regulatory standards may be inadequate.

7. Our competitors have greater resources, a broader array of products, and higher ratings, which may limit our ability to attract and retain customers or distributors.

We may be unable to compete successfully with larger companies who enjoy larger financial resources, broader and more diversified product lines, higher ratings, and more widespread agency relationships. Customers may choose fixed index, fixed rate, or variable annuities sold by other insurance companies, or chose mutual fund products, traditional bank products, and other retirement funding alternatives offered by asset managers, banks and broker/dealers. Competitors' products may have competitive or other advantages based on design, participation rates and crediting rates, policy terms and conditions, services provided to distributors and policyholders, ratings by rating agencies, reputation and distributor compensation.

We may be unable to compete successfully for product distribution sources (such as IMOs, other marketers, agents, broker/dealers, banks and registered investment advisors) based on innovative and timely products, financial strength, services provided to and the relationships developed with distributors, or competitive commission structures and timely payments. Our distributors may choose to sell others' products, and are generally free to do so.

8. Our information technology and communication systems may fail or suffer a security breach.

We may lose access to or use of our information technology (IT) systems to accurately perform necessary business functions such as issuing new policies, providing customer support, maintaining existing policies, paying claims, managing our investment portfolios, and producing financial statements. Our efforts, policies, and processes to avoid or mitigate systems failures, fraud, cyberattacks, processing errors, and regulatory breaches may fail or prove inadequate.

We may be unable to keep the confidential information within our IT infrastructure secure or maintain adherence to privacy standards or expectations. Our complex information security controls framework that leverages multiple leading industry control standards, as well as extensive commercial control technologies we use to maintain the security of those systems, is imperfect and may fail. An attacker who circumvents our comprehensive information security controls infrastructure could access, view, misappropriate, alter, or delete information contained within the accessed systems, including personally identifiable policyholder information and proprietary business information.

Our efforts and expenses to maintain and enhance our existing systems to keep pace with changing security requirements, industry standards, and evolving customer preferences may be insufficient or misguided, impairing our ability to rely on information for product design, product pricing, and risk management decisions. Our extensive backup and recovery systems and contingency plans may not prevent system interruptions, failures, or allow us to promptly remediate those that do occur.

9. We may suffer a credit or financial strength downgrade.

We may fail to maintain or improve our financial strength or credit ratings, whether due to the results of operations of our subsidiaries or our financial condition.

A ratings downgrade, or the potential for a ratings downgrade, could cause distributors and sales agents to stop or reduce our product sales in favor of our competitors, could increase our policy or contract surrenders, and harm our ability to obtain reinsurance or to do so at competitive prices.

10. We may be unable to raise additional capital to support our business and sustain our growth on favorable terms.

We may need to increase or maintain the statutory capital and surplus of our life insurance subsidiaries, or the capital of our holding company, through debt, equity, and/or other transactions. We may be unable to do so because of adverse market conditions or high cost of capital, or be able to do so only on unfavorable terms. As a result, we may have to limit sales of new annuity products. We may also agree to restrictions on other activities, transactions, or financial arrangements in order to obtain necessary capital.

11. U.S. and global capital markets and economies could deteriorate due to major public health issues, including the COVID-19 pandemic, political or social developments, or otherwise.

Economic and capital markets could suffer downturns, uncertainties, or market disruptions. For example, armed conflict in Europe or elsewhere, sanctions intended to address those conflicts or achieve other ends, COVID-19 and the related pandemic, and government and business efforts in reaction to any of these, may continue to create economic and financial turmoil and contribute to a recession, to decreased economic output, to unemployment, to market dislocations, to political uncertainties, to inflation, to stagnated economic growth, and other effects. These may reduce the performance, and increase the risks, of our investment portfolio. They may also prevent us from continuing normal business operations, and our measures to mitigate their effects - such as remote working and workplace safety measures - may be inadequate to limit the strain on our business continuity plans and contain operational risk, such as information technology and third-party service provider risks.

12. We may fail to authorize and pay dividends on our preferred stock.

We may fail to authorize and pay dividends on our preferred stock. Unpaid dividends would not accrue, and could result in our inability to pay or declare a dividend on our common stock or repurchase, redeem or otherwise acquire for consideration our common stock. Any such failure would also prevent us from making certain distributions to common shareholders. They may also give preferred shareholders the right to elect members of our Board of Directors or other corporate governance rights that could weaken the rights and interests of common shareholders and other stakeholders.

13. Our subsidiaries may be unable to pay dividends or make other payments to us.

Our future cash flows may be limited, as they depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our insurance subsidiaries, such as payments under our investment advisory agreements and tax allocation agreements with our subsidiaries. Without such cash flow, we may be unable to service debt we incur from time to time (including senior notes, term loans, subordinated debentures issued to a subsidiary trust, and others), pay operating expenses and pay dividends to common and preferred stockholders.

14. We may fail at reinsurance, investment management, or third-party capital arrangements.

We may be unable to source, negotiate, obtain timely regulatory approval for, and execute the reinsurance, investment management, or third-party-capital arrangements for our strategy to succeed. As a result, we may not realize our anticipated economic, strategic or other benefits of any such transaction and may incur unforeseen expenses or liabilities. Any reorganization or consolidation of the legal entities through which we conduct business may raise similar risks.

15. We may fail to prevent excessive risk-taking.

Our employees, including executives and others who manage sales, investments, products, wholesaling, underwriting, and others, may take excessive risks. Our compensation programs and practices, and our other controls, may not effectively deter excessive risk-taking or misconduct.

16. Our policies and procedures may fail to protect us from operational risks.

We may make errors or fail to detect incorrect or incomplete information in any of the large number of transactions we process through our complex administrative systems. Our controls and procedures to prevent such errors may not be effective. For example, we may fail to escheat property timely and completely, or fail to detect, deter or mitigate fraud against us or our customers. We may fail to maintain service standards or to operate efficiently or control costs. In addition, we may fail to attract, motivate and retain employees, develop talent, or adequately plan for management succession. We may also suffer internal control deficiencies or disclosure control deficiencies that result in significant deficiencies or material weaknesses.

Risks Relating to Legal, Regulatory, Environment, Social, or Governance Matters

17. We may be subject to increased litigation, regulatory examinations, and tax audits.

We may become involved in increased litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. State regulatory bodies, such as state insurance departments, the SEC and the DOL may investigate our compliance with, among other things, insurance laws, securities laws and ERISA. In addition, U.S. and state authorities have and may continue to audit our compliance with tax laws.

18. Laws, regulations, accounting, and benchmarking standards may change.

Any of the myriad of insurance statutes and regulations in the various states in which our life insurance subsidiaries transact business, including those related to insurance holding companies, may change at any time with or without warning. Laws affecting our investments, such as rules on enforcing mortgage rights, may change. Accounting standards such as those issued by the FASB, statutory accounting standards, or others may change, and interest rate benchmarking standards, such as LIBOR's replacements, may change, evolve, or be replaced. U.S. federal laws and rules, such as those related to securities or ERISA, may also change. In addition, those with authority or influence may change their interpretation of such laws or accounting standards, or may disagree with our interpretation of them. We may be unable to adapt to any such changes or disagreements in a timely or effective manner. Tax law changes may also harm us. For example, should individual income tax rates decrease, some of the income tax advantages of our products would likewise decrease. Moreover, tax law may change or eliminate any of the income tax advantages of our products. Further, changes to the basis of U.S. income taxation (e.g., taxation of unearned gains), corporate tax rates, capital gains tax rates, and other changes, may affect us.

19. Iowa or other applicable law, or our corporate governance documents or change-in-control agreements, may delay or deter takeovers or combinations.

State laws, our certificate of incorporation and by-laws, and agreements into which we have entered concerning changes in control may delay, deter or prevent a takeover attempt that stockholders might consider favorable.

20. Climate changes, or responses to it, may affect us.

Climate change may increase the frequency and severity of near- or long-term weather-related disasters, public health incidents, and pandemics, and their effects may increase over time. Climate change regulation may harm the value of investments we hold or harm our counterparties, including reinsurers. Our regulators may also increasingly focus their examinations on climate-related risks.

21. Our efforts to meet environmental, social, and governance standards and to enhance our sustainability may not meet expectations.

Our investors or others may evaluate our business practices by continually evolving and unclear environmental, social, and governance ("ESG") criteria that may reflect contrasting or conflicting values or agendas. Our practices may also not change in the particulars or at the rate all parties expect, and may involve management trade-offs. To the extent we establish specific commitments or targets, we may fail to meet them.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Not applicable.

Item 3. Legal Proceedings

See *Note 15 - Commitments and Contingencies* to our audited consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol AEL. The following table sets forth the high and low sales prices of our common stock for each quarterly period within the two most recent fiscal years as quoted on the NYSE.

	High	Low
2021		
First Quarter	$32.54	$26.21
Second Quarter	$33.68	$29.18
Third Quarter	$33.79	$27.12
Fourth Quarter	$39.88	$29.46
2020		
First Quarter	$34.16	$9.07
Second Quarter	$27.09	$14.76
Third Quarter	$27.32	$19.06
Fourth Quarter	$34.25	$22.37

As of February 11, 2022, to the best of our knowledge, there were approximately 29,524 beneficial holders of our common stock. In 2021 and 2020, we paid an annual cash dividend of $0.34 and $0.32, respectively, per share on our common stock. We intend to continue to pay an annual cash dividend on such shares so long as we have sufficient capital and/or future earnings to do so. Any further determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition and future prospects and such other factors as our board of directors may deem relevant.

Since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Iowa insurance laws restrict the amount of distributions American Equity Life and Eagle Life can pay to us without the approval of the Iowa Insurance Commissioner. See Management's Discussion and Analysis of Financial Condition and Results of Operations and *Note 14 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements, which are incorporated by reference in this Item 5.

For disclosure on securities authorized for issuance under equity compensation plans, see our definitive proxy statement to be filed within the Commission pursuant to Regulation 14A within 120 days after December 31, 2021.

Issuer Purchases of Equity Securities

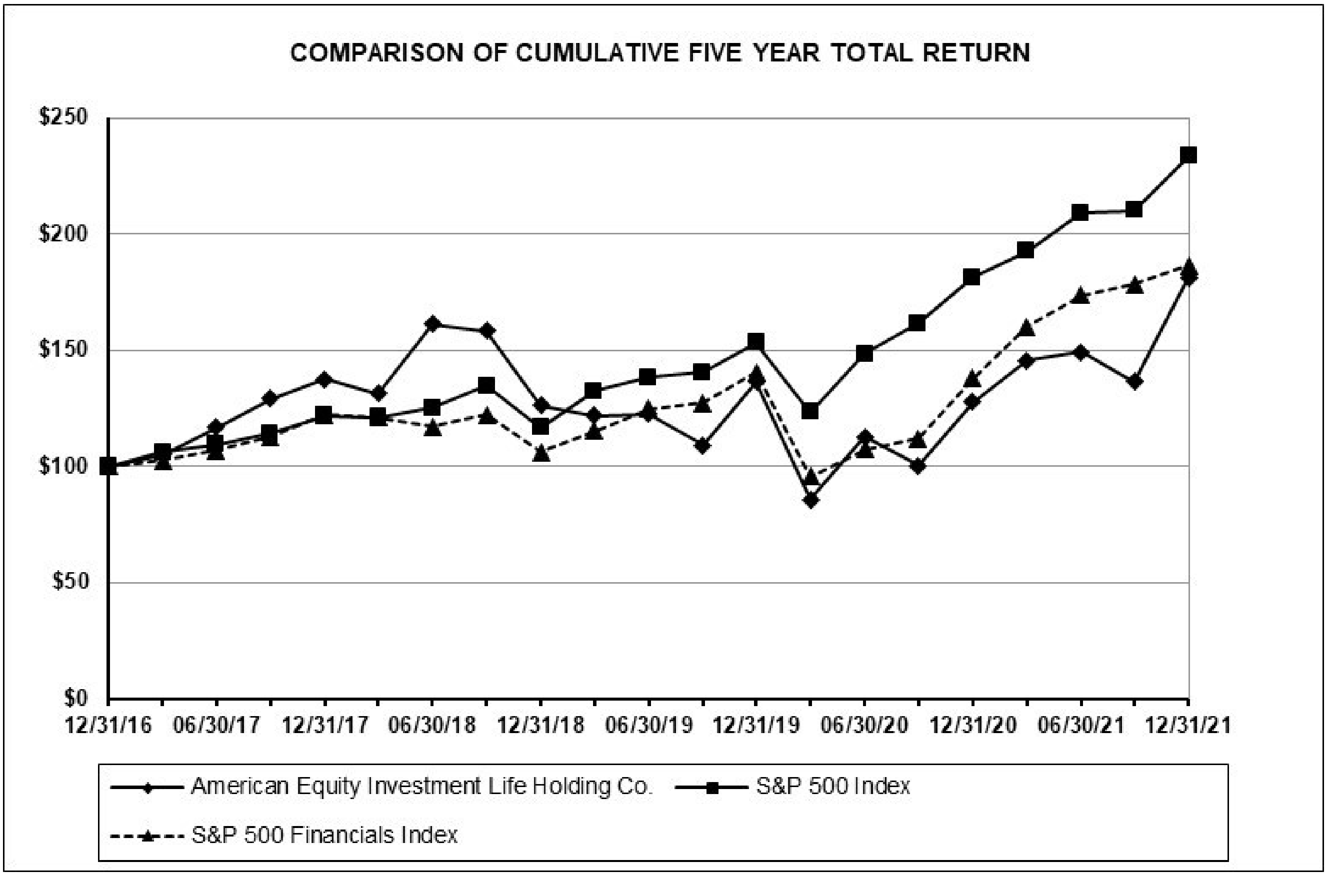
The following table presents the amount of our share purchase activity for the periods indicated:

Period	Total Number of Shares Purchased (shares)	Average Price Paid Per Share (dollars)	Total Number of Shares Purchased as Part of Publicly Announced Program (a) (shares)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Program (dollars in thousands)
October 1, 2021 - October 31, 2021	—	$ —	—	$ 236,000
November 1, 2021 - November 30, 2021	—	$ —	—	$ 736,000
December 1, 2021 - December 31, 2021	—	$ —	—	$ 736,000
Total	—			

(a) On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock.

Common Stock Performance Graph

The graph and table below compare the total return on our common shares with the total return on the S&P Global Ratings ("S&P") 500 and S&P 500 Financials indices for the five-year period ended on December 31, 2021. The graph and table show the total return on a hypothetical $100 investment in our common shares and in each index on December 31, 2016 including the reinvestment of all dividends. The graph and table below shall not be deemed to be "soliciting material" or to be "filed," or to be incorporated by reference in future filings with the SEC, or to be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.



	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
American Equity Investment Life Holding Co.	100.00	137.51	126.06	136.41	127.53	181.14
S&P 500 Index	100.00	121.83	116.49	153.17	181.35	233.41
S&P 500 Financials Index	100.00	122.18	106.26	140.40	138.02	186.38

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our consolidated financial position at December 31, 2021 compared with December 31, 2020, and our consolidated results of operations for the years ended December 31, 2021 and 2020, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with our audited consolidated financial statements, notes thereto and selected consolidated financial data appearing elsewhere in this report.

For information and analysis relating to our financial condition and consolidated results of operations as of and for the year ended December 31, 2020, as well as for the year ended December 31, 2020 compared with the year ended December 31, 2019, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this report and elsewhere (such as in filings by us with the SEC, press releases, presentations by us or management or oral statements) may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may relate to markets for our products, trends in our operations or financial results, strategic alternatives, future operations, strategies, plans, partnerships, investments, share buybacks and other financial developments, and are subject to assumptions, risks and uncertainties. Statements such as ["guidance", "expect", "anticipate", "strong", "believe", "intend", "goal", "objective", "target", "position", "potential", "will", "may", "would", "should", "can", "deliver", "accelerate", "enable", "estimate", "projects", "outlook", "opportunity"] or similar words, as well as specific projections of future events or results qualify as forward-looking statements. Forward-looking statements, by their nature, are subject to a variety of inherent risks and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by the Company. Factors that may cause our actual decisions or results to differ materially from those contemplated by these forward-looking statements include, among other things:

- results differing from assumptions, estimates, and models.
- interest rate condition changes.
- investments losses or failures to grow as quickly as expected due to market, credit, liquidity, concentration, default, and other risks.
- option costs increases.
- counterparty credit risks.
- third parties service-provider failures to perform or to comply with legal or regulatory requirements.
- poor attraction and retention of customers or distributors due to competitors' greater resources, broader array of products, and higher ratings.
- information technology and communication systems failures or security breaches.
- credit or financial strength downgrades.
- inability to raise additional capital to support our business and sustain our growth on favorable terms.
- U.S. and global capital market and economic deterioration due to major public health issues, including the COVID-19 pandemic, political or social developments, or otherwise.
- failure to authorize and pay dividends on our preferred stock.
- subsidiaries' inability to pay dividends or make other payments to us.
- failure at reinsurance, investment management, or third-party capital arrangements.
- failure to prevent excessive risk-taking.
- failure of policies and procedures to protect from operational risks.
- increased litigation, regulatory examinations, and tax audits.
- changes to laws, regulations, accounting, and benchmarking standards.
- takeover or combination delays or deterrence by laws, corporate governance documents, or change-in-control agreements.
- effects of climate changes, or responses to it.
- failure of efforts to meet environmental, social, and governance standards and to enhance sustainability.

For a detailed discussion of these and other factors that might affect our performance, see Item 1A of this report.

Executive Summary

As previously noted, we began to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. During 2021, we made significant progress in the execution of the AEL 2.0 strategy in all four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities. See **Item 1. Business - Strategy** for more information on the AEL 2.0 strategy and progress made during 2021.

Excellent customer service teamed with our ability to offer innovative insurance products that provide principal protection and lifetime income continued to result in significant sales of our annuity products. In 2021, our sales were $6.0 billion which increased cash and investments to a balance in excess of $64.0 billion at December 31, 2021. Our sales for the last five years have ranged from $3.7 billion to $6.0 billion.

The economic and personal investing environments continued to be conducive to the sale of fixed index and fixed rate annuity products as retirees and others looked to put their money in instruments that will protect their principal and provide them with consistent cash flow sources in their retirement years and a paycheck for life. Sales of both fixed index and fixed rate annuity products increased during 2021.

Total sales increased to $6.0 billion in 2021 compared to $3.7 billion in 2020. The increase in fixed rate annuity products was driven by the introduction of competitive three and five-year single premium deferred annuity products at both American Equity Life and Eagle Life. The increase in fixed index annuity products was driven by product refreshes at both American Equity Life and Eagle Life, including the addition of two new proprietary indices to our refreshed AssetShield product and the introduction of two new products at American Equity Life. Sales levels in 2021 also benefited from an improving sales environment compared to 2020. We lowered crediting rates on our single premium deferred annuity products during the fourth quarter of 2021 in order to focus on sales of fixed index annuity products as we believe such products align with the transformation of the Company from a spread based return on equity insurer to more of a fee-based return on asset insurer.

We continue to be in the midst of an unprecedented period of low interest rates and low yields for investments with the credit quality we prefer. In response, we have been reducing policyholder crediting rates for new annuities and existing annuities. Active management of policyholder crediting rates resulted in a lower aggregate cost of money during 2021. We continue to have flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 62 basis points if we reduce current rates to guaranteed minimums. We now have 7 sleeves of private asset sectors in which we have conviction, specifically as a landlord in both single family rental homes and multi-family apartments, residential whole loans for individuals and professional investors, infrastructure debt, infrastructure equity, with a priority around sub-sectors like energy transition, middle market loans to private companies, and annual recurring revenue based lending to companies in the software and technology sector. During 2021, we deployed $3.4 billion in private assets with expected returns in the 5.1% to 5.2% range. In aggregate, we successfully repositioned the portfolio in 2021 with close to $10 billion of new assets purchases resulting in an estimated portfolio yield 3.85% at the end of 2021. We are on track to achieve close to or above 4% aggregate portfolio yield in 2022 as we further ramp our allocation in private assets from approximately 15% at year-end 2021 to 30-40% over time.

On October 18, 2020, we announced an agreement with Brookfield under which Brookfield will acquire up to a 19.9% ownership interest of common stock in the Company. The equity investment by Brookfield will take place in two stages: an initial purchase of a 9.9% equity interest at $37.00 per share which closed on November 30, 2020 with Brookfield purchasing 9,106,042 shares, and a second purchase of up to an incremental 10.0% equity interest, at the greater value of $37.00 per share or adjusted book value per share (excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives). The second equity investment was subject to finalization of a reinsurance transaction that closed on October 8, 2021, receipt of applicable regulatory approvals and other closing conditions. Regulatory approval related to the second equity investment was received on December 29, 2021 and an additional 6,775,000 shares were issued to Brookfield at $37.33 per share in January of 2022. Brookfield also received one seat on the Company's Board of Directors following the initial equity investment.

On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. The purpose of the share repurchase program is to both offset dilution from the issuance of shares to Brookfield and to institute a regular cash return program for shareholders. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock. As of December 31, 2021, we have repurchased approximately 9.1 million shares of our common stock at an average price of $29.04 per common share. Through February 25, 2022, we have repurchased approximately 11.6 million shares of our common shares at an average price of $31.78 per common share and have approximately $630 million remaining under our share repurchase program.

We specialize in the sale of individual annuities (primarily fixed and fixed index deferred annuities) through IMOs, agents, banks and broker-dealers. Fixed and fixed index annuities are an important product for Americans looking to fund their retirement needs as annuities have the ability to provide retirees a paycheck for life.

Under U.S. GAAP, premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Similarly, cash payments to policyholders are reported as decreases in the liabilities for policyholder account balances and not as expenses. Sources of revenues for products accounted for as deposit liabilities are net investment income, surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders, net realized gains (losses) on investments and changes in fair value of derivatives. Components of expenses for products accounted for as deposit liabilities are interest sensitive and index product benefits (primarily interest credited to account balances and changes in the liability for lifetime income benefit riders), changes in fair value of embedded derivatives, amortization of deferred sales inducements and deferred policy acquisition costs, other operating costs and expenses and income taxes.

Our profitability depends in large part upon:

- the amount of assets under our management,
- investment spreads we earn on our policyholder account balances,
- our ability to manage our investment portfolio to maximize returns and minimize risks such as interest rate changes and defaults or credit losses,
- our ability to appropriately price for lifetime income benefit riders offered on certain of our fixed rate and fixed index annuity policies,
- our ability to manage interest rates credited to policyholders and costs of the options purchased to fund the annual index credits on our fixed index annuities,
- our ability to manage the costs of acquiring new business (principally commissions paid to agents and distribution partners and bonuses credited to policyholders),
- our ability to manage our operating expenses, and
- income taxes.

Life insurance companies are subject to NAIC RBC requirements and rating agencies utilize a form of RBC to partially determine capital strength of insurance companies. Our RBC ratio at December 31, 2021 and December 31, 2020 was 400% and 372%, respectively.

We intend to manage our capitalization in normal economic conditions at a level that is consistent with rating agency capital at or above the A-level. It may drift downwards, at times, for reasons including, but not limited to, realized credit losses or temporary increases in required risk capital for ratings migrations. This level is intended to reflect a level that is consistent with the rating agencies expectations for capital adequacy ratios at different points in an economic cycle. This implies operating with a peak to trough swing whereby capital is absorbing risk at the low point of the economic cycle.

On August 21, 2020 S&P affirmed its "A-" financial strength rating on American Equity Life and its "BBB-" long-term issuer credit rating on American Equity Investment Life Holding Company, and revised its outlook to "stable" from "negative" primarily due to capital management actions taken during 2020.

On July 29, 2021, A.M. Best affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its subsidiaries, American Equity Investment Life Insurance Company of New York and Eagle Life Insurance Company, its "bbb-" long-term issuer credit rating of American Equity Investment Life Holding Company, its "bbb-" senior unsecured debt ratings, and its "bb" perpetual, non-cumulative preferred stock ratings. The outlook for these credit ratings of "stable" was also affirmed by A.M. Best on July 29, 2021.

On April 14, 2021, Fitch affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its life insurance subsidiaries, its "BBB" issuer default rating on American Equity Investment Life Holding Company and its "BBB-" senior unsecured debt ratings, and revised its outlook to "stable" from "negative" on its financial strength, issuer default and senior unsecured debt ratings.

Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholder, or the "investment spread." Our investment spread is summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
Average yield on invested assets	3.73%	4.12%	4.52%
Aggregate cost of money	1.55%	1.69%	1.84%
Aggregate investment spread	2.18%	2.43%	2.68%
Impact of:			
Investment yield - additional prepayment income	0.11%	0.08%	0.06%
Cost of money benefit from over hedging	0.07%	0.02%	0.03%

The cost of money for fixed index annuities and average crediting rates for fixed rate annuities are computed based upon policyholder account balances and do not include the impact of amortization of deferred sales inducements. See Critical Accounting Policies and Estimates—Deferred Policy Acquisition Costs and Deferred Sales Inducements. With respect to our fixed index annuities, the cost of money includes the average crediting rate on amounts allocated to the fixed rate strategy and expenses we incur to fund the annual index credits. Proceeds received upon expiration of call options purchased to fund annual index credits are recorded as part of the change in fair value of derivatives, and are largely offset by an expense for interest credited to annuity policyholder account balances. See Critical Accounting Policies and Estimates - Policy Liabilities for Fixed Index Annuities and Financial Condition - Derivative Instruments.

Average yield on invested assets decreased primarily as a result of a higher level of cash and cash equivalent holdings during 2021 compared to 2020. The higher level of cash and cash equivalent holdings was a result of our decision to execute a series of trades in the fourth quarter of 2020 designed to raise liquidity to fund block reinsurance transactions and de-risk the investment portfolio. See **Net investment income**. Active management of policyholder crediting rates has continued to lower the aggregate cost of money. We expect to have flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 62 basis points if we reduce current rates to guaranteed minimums.

Results of Operations for the Three Years Ended December 31, 2021

Annuity deposits by product type collected during 2021, 2020 and 2019, were as follows:

	Year Ended December 31,		
Product Type	**2021**	**2020**	**2019**
		(Dollars in thousands)	
American Equity Life:			
Fixed index annuities	$ 2,753,479	$ 1,992,059	$ 4,058,638
Annual reset fixed rate annuities	6,133	8,128	11,245
Multi-year fixed rate annuities	855,702	395,982	1,613
Single premium immediate annuities	59,816	33,461	12,002
	3,675,130	2,429,630	4,083,498
Eagle Life:			
Fixed index annuities	697,068	345,519	646,903
Annual reset fixed rate annuities	350	97	199
Multi-year fixed rate annuities	1,597,292	907,151	232,613
	2,294,710	1,252,767	879,715
Consolidated:			
Fixed index annuities	3,450,547	2,337,578	4,705,541
Annual reset fixed rate annuities	6,483	8,225	11,444
Multi-year fixed rate annuities	2,452,994	1,303,133	234,226
Single premium immediate annuities	59,816	33,461	12,002
Total before coinsurance ceded	5,969,840	3,682,397	4,963,213
Coinsurance ceded	424,819	35,667	290,040
Net after coinsurance ceded	$ 5,545,021	$ 3,646,730	$ 4,673,173

Annuity deposits before coinsurance ceded increased 62% during 2021 compared to 2020. Annuity deposits after coinsurance ceded increased 52% during 2021 compared to 2020. The increase in sales in 2021 compared to 2020 was driven by the sales of multi-year fixed rate annuity products introduced in late 2020 at both American Equity Life and Eagle Life and increased sales of fixed index annuities at both American Equity Life and Eagle Life. This growth is due to fixed index annuity product refreshes at both American Equity Life and Eagle Life, the introduction of two new products at American Equity Life and strong sales of single premium deferred annuity products at both Eagle Life and American Equity Life during the first three quarters of 2021. Sales levels in 2021 also benefited from an improving sales environment compared to 2020.

Prior to January 1, 2021, we had been ceding 80% of the annuity deposits received from certain multi-year rate guaranteed annuities and 20% of certain fixed index annuities sold by Eagle Life through broker/dealers and banks to an unaffiliated reinsurer. Beginning January 1, 2021, no new business is being ceded to the unaffiliated reinsurer. Effective July 1, 2021, we ceded 100% of an in-force block of fixed index annuities and began ceding 75% of certain fixed index annuities issued after July 1, 2021 to North End Re which caused the increase in coinsurance ceded premiums for the year ended December 31, 2021 compared to 2020.

Net income available to common stockholders decreased 33% to $430.3 million in 2021 and increased 159% to $637.9 million in 2020 from $246.1 million in 2019. The decrease in net income available to common stockholders for the year ended December 31, 2021 was primarily a result of the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020.

Net income available to common stockholders for the year ended December 31, 2021 was negatively impacted by a decrease in the aggregate investment spread as previously noted. Net income, in general, is impacted by the volume of business in force and the investment spread earned on this business. The average amount of annuity account balances outstanding (net of annuity liabilities ceded under coinsurance agreements) increased 1% to $53.7 billion for the year ended December 31, 2021 compared to $53.3 billion in 2020 and increased 2% for the year ended December 31, 2020 compared to $52.3 billion in 2019. Our investment spread measured in dollars was $1.2 billion, $1.3 billion, and $1.3 billion for the years ended December 31, 2021, 2020 and 2019, respectively. Our investment spread has been negatively impacted by the extended low interest rate environment and by holding higher levels of cash and cash equivalents (see **Net investment income**). The higher levels of cash and cash equivalent holdings decreased in the fourth quarter of 2021 with the execution of the reinsurance treaty with North End Re. We expect to invest most of the cash balances above our target cash levels into traditional fixed income securities and privately sourced assets during early 2022. The impact of the extended low interest rate environment and higher cash and cash equivalent holdings has been partially offset by a lower aggregate cost of money due to our continued active management of new business and renewal rates. Net income available to common stockholders for the year ended December 31, 2021 was negatively impacted by an increase in other operating costs and expenses (see **Other operating costs and expenses).** We expect the level of other operating costs and expenses to settle into the $60 million per quarter range for the foreseeable future as we continue to execute on the AEL 2.0 strategy.

Net income is impacted by the change in fair value of derivatives and embedded derivatives which fluctuates from year to year based upon changes in fair values of call options purchased to fund the annual index credits for fixed index annuities and changes in interest rates used to discount the embedded derivative liability. See **Change in fair value of derivatives, Change in fair value of embedded derivatives, Amortization of deferred sales inducements** and **Amortization of deferred policy acquisition costs.**

We periodically update the key assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. In addition, we periodically update the assumptions used in determining the liability for lifetime income benefit riders and the embedded derivative component of our fixed index annuity policy benefit reserves as experience develops that is different from our assumptions.

Net income available to common stockholders for 2021, 2020 and 2019 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2021	**2020**	**2019**
	(Dollars in thousands)		
Increase (decrease) in amortization of deferred sales inducements	$ (45,107)	$ 428,101	$ (104,707)
Increase (decrease) in amortization of deferred policy acquisition costs	(45,662)	646,785	(192,982)
Increase in interest sensitive and index product benefits	243,658	285,825	315,383
Increase (decrease) in change in fair value of embedded derivatives	(122,294)	(2,341,279)	28,208
Effect on net income available to common stockholders	(24,017)	769,611	(35,987)

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions during each year. In addition, we implemented an enhanced actuarial valuation system during 2019, and as a result, our 2019 assumption updates include model refinements resulting from the implementation.

The most significant assumption updates made in 2021 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lifetime income benefit rider utilization assumptions, mortality assumptions, and lapse rate assumptions as discussed below. In addition, we made assumption updates to change the reinsurance expense assumption associated with the refinancing of statutory redundant reserves effective October 1, 2021.

Due to the continued low interest rate environment, we updated our assumption for investment spread for American Equity Life to 2.25% in the near term and increasing to 2.50% over an eight-year reversion period and our assumption for crediting/discount rate to 1.55% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was at 2.60% at the end of an eight-year reversion period, with a near term crediting/discount rate of 1.90% increasing to 2.10% over an eight-year reversion period. The assumption change to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements.

We updated lapse rate and mortality assumptions based on historical experience. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on polices with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The overall mortality assumption was lowered to reflect historical experience. The net impact of the updates to the lapse rate and mortality assumptions resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and mortality assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

We updated the lifetime income benefit rider utilization assumption based on historical experience. The ultimate utilization assumption was lowered for policies with a fee rider and certain policies with a no-fee rider. In addition, the utilization assumption was changed to reflect seasonality with higher utilization rates during the first quarter of each year. The net impact of the updates to the utilization assumption resulted in a decrease in the liability for lifetime income benefit riders due to a lower amount of expected benefits payments due to lower expected utilization. The net impact of the updates to the utilization assumption resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserve in 2021 was the change in lapse rate assumptions discussed above. The net impact of the updates to the lapse rate assumption resulted in a decrease in the embedded derivative component of our fixed index annuity policy benefit reserves as less funds ultimately qualify for excess benefits.

The most significant assumption updates from the 2020 review were to investment spread assumptions, including the net investment earned rate and crediting rates on policies, as well as updates to lapse rate and partial withdrawal assumptions.

Due to the economic and low interest rate environments, we updated our assumption for aggregate investment spread to 2.40% in the near-term increasing to 2.60% over an eight-year reversion period and our assumption for crediting/discount rate to 1.60% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was steady at 2.60%, with a near term crediting/discount rate of 1.90% increasing to 2.90% over a 20-year reversion period. The assumption update to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The decrease in the crediting rate, which is used as the discount rate in the calculation of the liability for lifetime income benefit riders, resulted in an increase in the liability for lifetime income benefit riders.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. For certain annuity products without a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were increased while for certain annuity products with a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were decreased. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves during 2020 was a decrease in the crediting rate/option budget to 2.10% from 2.90% as a result of a revised estimate of the cost of options. This assumption change resulted in a decrease in the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves due to a reduction in the projected policy contract values over the expected lives of the contracts. The net impact of the the updates to lapse and partial withdrawal assumptions noted above resulted in an increase in the embedded derivative component of our fixed index annuity policy benefit reserves as more funds ultimately qualify for excess benefits. In addition, during 2020, we refined the derivation of the discount rate used in calculating the fair value of embedded derivatives which increased the discount rate and resulted in a decrease in the change in fair value of embedded derivatives offset by increases in amortization of deferred sales inducements and deferred policy acquisition costs.

Non-GAAP operating income available to common stockholders, a non-GAAP financial measure increased 320% to $290.5 million in 2021 and decreased 87% to $69.1 million in 2020 from $548.2 million in 2019. The increase in non-GAAP operating income available to common stockholders for the year ended December 31, 2021 was primarily a result of the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. Non-GAAP operating income available to common stockholders and Non-GAAP operating income available to common stockholders per common share - assuming dilution, excluding the impact of notable items, for the year ended December 31, 2021 were $368.5 million and $3.90 per share, respectively. Non-GAAP operating income available to common stockholders and Non-GAAP operating income available to common stockholders per common share - assuming dilution, excluding the impact of notable items, for the year ended December 31, 2020 were $379.2 million and $4.11 per share, respectively. Non-GAAP operating income available to common stockholders for both the years ended December 31, 2021 and 2020 was negatively impacted by a decrease in the aggregate investment spread as previously noted. In addition, Non-GAAP operating income available to common stockholders for the year ended December 31, 2021 was negatively impacted by an increase in other operating costs and expenses (see **Other operating costs and expenses).**

In addition to net income available to common stockholders, we have consistently utilized non-GAAP operating income available to common stockholders, a non-GAAP financial measure commonly used in the life insurance industry, as an economic measure to evaluate our financial performance. Non-GAAP operating income available to common stockholders equals net income available to common stockholders adjusted to eliminate the impact of items that fluctuate from year to year in a manner unrelated to core operations, and we believe measures excluding their impact are useful in analyzing operating trends. The most significant adjustments to arrive at non-GAAP operating income available to common stockholders eliminate the impact of fair value accounting for our fixed index annuity business and are not economic in nature but rather impact the timing of reported results. We believe the combined presentation and evaluation of non-GAAP operating income available to common stockholders together with net income available to common stockholders provides information that may enhance an investor's understanding of our underlying results and profitability.

Non-GAAP operating income available to common stockholders is not a substitute for net income available to common stockholders determined in accordance with GAAP. The adjustments made to derive non-GAAP operating income available to common stockholders are important to understand our overall results from operations and, if evaluated without proper context, non-GAAP operating income available to common stockholders possesses material limitations. As an example, we could produce a low level of net income available to common stockholders or a net loss available to common stockholders in a given period, despite strong operating performance, if in that period we experience significant net realized losses from our investment portfolio. We could also produce a high level of net income available to common stockholders in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio. As an example of another limitation of non-GAAP operating income available to common stockholders, it does not include the decrease in cash flows expected to be collected as a result of credit losses on financial assets. Therefore, our management reviews net realized investment gains (losses) and analyses of our net investment income, including impacts related to credit losses, in connection with their review of our investment portfolio. In addition, our management examines net income available to common stockholders as part of their review of our overall financial results.

The adjustments made to net income available to common stockholders to arrive at non-GAAP operating income available to common stockholders and non-GAAP operating income available to common stockholders, excluding notable items for 2021, 2020 and 2019 are set forth in the table that follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Reconciliation from net income available to common stockholders to non-GAAP operating income available to common stockholders:			
Net income available to common stockholders	$ 430,317	$ 637,945	$ 246,090
Adjustments to arrive at non-GAAP operating income available to common stockholders:			
Net realized losses on financial assets, including credit losses	10,299	59,355	7,361
Change in fair value of derivatives and embedded derivatives	(187,290)	(784,005)	374,468
Income taxes	37,184	155,808	(79,736)
Non-GAAP operating income available to common stockholders	290,510	69,103	548,183
Impact of notable items	78,036	310,117	(123,739)
Non-GAAP operating income available to common stockholders, excluding notable items	$ 368,546	$ 379,220	$ 424,444
Per common share - assuming dilution:			
Non-GAAP operating income available to common stockholders	$ 3.07	$ 0.75	$ 5.97
Impact of notable items	0.83	3.36	(1.35)
Non-GAAP operating income available to common stockholders, excluding notable items	$ 3.90	$ 4.11	$ 4.62
Notable items impacting non-GAAP operating income available to common stockholders:			
Impact of actuarial assumption updates	$ 78,036	$ 340,895	$ (123,739)
Tax benefit related to the CARES Act	—	(30,778)	—
Total notable items	$ 78,036	$ 310,117	$ (123,739)

The amounts disclosed in the reconciliation above are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and accretion of lifetime income benefit rider reserves where applicable. Notable items reflect the after-tax impact to non-GAAP operating income available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items primarily include the impact from actuarial assumption updates. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Non-GAAP operating income available to common stockholders for 2021, 2020 and 2019 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Increase (decrease) in amortization of deferred sales inducements	$ (66,066)	$ 57,467	$ (184,882)
Increase (decrease) in amortization of deferred policy acquisition costs	(78,183)	90,970	(288,332)
Increase in interest sensitive and index product benefits	243,658	285,825	315,383
Effect on non-GAAP operating income available to common stockholders	(78,036)	(340,895)	123,739

The impact to net income available to common stockholders and non-GAAP operating income available to common stockholders from assumption updates varies due to the impact of fair value accounting for our fixed index annuity business as non-GAAP operating income available to common stockholders eliminates the impact of fair value accounting for our fixed index annuity business. While the assumption updates made during 2021, 2020 and 2019 were consistently applied, the impact to net income available to common stockholders and non-GAAP operating income available to common stockholders varies due to different amortization rates being applied to gross profit adjustments included in the valuation.

Annuity product charges (surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders) decreased 3% to $242.6 million in 2021 and increased 5% to $251.2 million in 2020 from $240.0 million in 2019. The components of annuity product charges are set forth in the table that follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Surrender charges	$ 67,657	$ 72,551	$ 71,565
Lifetime income benefit riders (LIBR) fees	174,974	178,676	168,470
	$ 242,631	$ 251,227	$ 240,035
Withdrawals from annuity policies subject to surrender charges	$ 1,099,098	$ 776,305	$ 662,795
Average surrender charge collected on withdrawals subject to surrender charges	6.2 %	9.3 %	10.8 %
Fund values on policies subject to LIBR fees	$ 22,183,623	$ 22,986,903	$ 22,490,676
Weighted average per policy LIBR fee	0.79 %	0.78 %	0.75 %

The decrease in annuity product charges during 2021 was attributable to lower average surrender charges collected on withdrawals subject to surrender charges primarily due to an increase in market value adjustments on such surrenders and a decrease in fees assessed for lifetime income benefit riders due to a smaller volume of business in force subject to the fee slightly offset by an increase in the average fees being charged as compared to prior periods. See **Interest sensitive and index product benefits** below for corresponding expense recognized on lifetime income benefit riders.

Net investment income decreased 7% to $2.0 billion in 2021 and 5% to $2.2 billion in 2020 from $2.3 billion in 2019. The decrease for 2021 compared to 2020 was attributable to a decrease in the average yield earned on invested assets during 2021 compared to 2020. Average invested assets excluding derivative instruments (on an amortized cost basis) increased 3% to $54.8 billion in 2021 and 4% to $53.1 billion in 2020 compared to $51.1 billion in 2019.

The average yield earned on average invested assets was 3.73%, 4.12% and 4.52% for 2021, 2020 and 2019, respectively. The decrease in yield earned on average invested assets in 2021 was primarily attributable to an increase in our level of cash and cash equivalent holdings as previously described and a decline in yields on our floating rate investment portfolio due to decreases in the average benchmark rates associated with these investments offset by an increase in mark to market gains on investment partnerships due to changes in market valuations.

The expected return on investments purchased during 2021 was 3.92%, net of third-party investment management expenses. Purchases for 2021 included $6.4 billion of fixed maturity securities with an expected return of 3.25% and $3.4 billion of privately sourced assets with an expected return of 5.19%. The privately sourced assets include investments in investment real estate, middle market loans, infrastructure debt, mortgage loans and strategic investments in limited partnerships. The expected return on investments purchased during 2020 and 2019 was 3.84% and 3.88%, respectively.

Change in fair value of derivatives consists of call options purchased to fund annual index credits on fixed index annuities, and an interest rate swap and interest rate caps that hedged our floating rate subordinated debentures. The interest rate swap and interest rate caps were terminated during 2019 and 2020 in conjunction with the redemption of our floating rate subordinated debentures. The components of change in fair value of derivatives are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Call options:			
Gain (loss) on option expiration	$ 1,368,381	$ 15,042	$ (190,376)
Change in unrealized gains/losses	(20,456)	19,562	1,098,932
Warrants	810	—	—
Interest rate swap	—	—	(1,059)
Interest rate caps	—	62	(591)
	$ 1,348,735	$ 34,666	$ 906,906

The differences between the change in fair value of derivatives between years for call options are primarily due to the performance of the indices upon which our call options are based which impacts the level of gains on call option expirations, the fair values of those call options and changes in the fair values of those call options between years. The changes in gain (loss) on option expiration and in unrealized gains/losses on call options for the year ended December 31, 2021 as compared to 2020 are due to equity market performance in 2021 compared to 2020. A substantial portion of our call options are based upon the S&P 500 Index with the remainder based upon other equity and bond market indices. The range of index appreciation (after applicable caps, participation rates and asset fees) for options expiring during these years is as follows:

	Year Ended December 31,		
	2021	2020	2019
S&P 500 Index			
Point-to-point strategy	0.0% - 42.6%	0.0% - 17.4%	0.0% - 22.3%
Monthly average strategy	0.0% - 29.4%	0.0% - 11.9%	0.0% - 14.7%
Monthly point-to-point strategy	0.0% - 21.7%	0.0% - 14.0%	0.0% - 14.0%
Volatility control index point-to-point strategy	0.0% - 9.7%	0.0% - 9.3%	0.0% - 10.3%
Fixed income (bond index) strategies	0.0% - 10.0%	0.0% - 13.6%	0.0% - 10.0%

The change in fair value of derivatives is also influenced by the aggregate costs of options purchased. During 2021, the aggregate cost of options were lower than in 2020 as option costs generally decreased during 2020 and 2021. The aggregate cost of options is also influenced by the amount of policyholder funds allocated to the various indices and market volatility which affects option pricing. See Critical Accounting Policies and Estimates - Policy Liabilities for Fixed Index Annuities.

Net realized gains (losses) on investments include gains and losses on the sale of securities and other investments and changes in allowances for credit losses on our securities and mortgage loans on real estate. Net realized gains (losses) on investments fluctuate from year to year primarily due to changes in the interest rate and economic environment and the timing of the sale of investments. See *Note 4 - Investments* and *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements and Financial Condition - Credit Losses for a detailed presentation of the types of investments that generated the gains (losses) as well as discussion of credit losses on our securities recognized during the periods presented and Financial Condition - Investments and *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements for discussion of credit losses recognized on mortgage loans on real estate.

Securities sold at losses are generally due to our long-term fundamental concern with the issuers' ability to meet their future financial obligations or to improve our risk or duration profiles as they pertain to our asset liability management.

Other revenue was $15.7 million for the year ended December 31, 2021 and primarily consists of $5.5 million related to asset liability management fees and $10.2 million of amortization related to the deferred gain associated with the cost of reinsurance. Both of these items are associated with the North End Re reinsurance treaty which was effective July 1, 2021. See *Note 9 - Reinsurance and Policy Provisions* to our audited consolidated financial statements for more information.

Interest sensitive and index product benefits increased 74% to $2.7 billion in 2021 and 20% to $1.5 billion in 2020 from $1.3 billion in 2019. The components of interest sensitive and index product benefits are summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Index credits on index policies	$ 1,977,888	$ 747,489	$ 587,818
Interest credited (including changes in minimum guaranteed interest for fixed index annuities)	253,725	198,745	204,474
Lifetime income benefit riders	449,793	597,036	495,284
	$ 2,681,406	$ 1,543,270	$ 1,287,576

The changes in index credits were attributable to changes in the level of appreciation of the underlying indices (see discussion above under **Change in fair value of derivatives**) and the amount of funds allocated by policyholders to the respective index options. Total proceeds received upon expiration of the call options purchased to fund the annual index credits were $2.0 billion, $0.8 billion and $0.6 billion for the years ended December 31, 2021, 2020 and 2019, respectively. The increase in interest credited in 2021 was due to increases in sales of single premium deferred annuity products that receive a fixed rate of interest partially offset by a reduction in interest credited to funds allocated to the fixed option within our fixed index annuities due to a decrease in the average balance allocated to the fixed option. The decrease in benefits recognized for lifetime income benefit riders for 2021 compared to 2020 was due to the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020 and the increased level of index credits on index policies during 2021 compared to 2020. In addition, fund value of policies with lifetime income benefit riders decreased as a result of the North End Re reinsurance treaty executed during 2021. **See Net income available to common stockholders** above for discussion of the changes in the assumptions used in determining reserves for lifetime income benefit riders for the years ended December 31, 2021 and 2020.

Amortization of deferred sales inducements before gross profit adjustments decreased in 2021 compared to 2020 primarily due to the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. Amortization of deferred sales inducements is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. In addition, amortization of deferred sales inducements for the year ended December 31, 2021 decreased as index credits on index policies for the year ended December 31, 2021 were in excess of expected index credits and index credits on index policies for the same period of 2020. Bonus products represented 65%, 75% and 76% of our net annuity account values at December 31, 2021, 2020 and 2019, respectively. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. Fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. The change in fair value of the embedded derivatives will not correspond to the change in fair value of the derivatives (purchased call options), because the purchased call options are one-year options while the options valued in the fair value of embedded derivatives cover the expected lives of the contracts which typically exceed ten years. Amortization of deferred sales inducements is summarized as follows:

	Year Ended December 31,		
	2021	**2020**	**2019**
	(Dollars in thousands)		
Amortization of deferred sales inducements before gross profit adjustments	$ 112,790	$ 243,067	$ 78,398
Gross profit adjustments:			
Fair value accounting for derivatives and embedded derivatives	40,899	202,660	12,189
Net realized losses on investments	(997)	(7,563)	(2,002)
Amortization of deferred sales inducements after gross profit adjustments	$ 152,692	$ 438,164	$ 88,585

See **Net income available to common stockholders** and **Non-GAAP operating income available to common stockholders, a non-GAAP financial measure** above for discussion of the impact of assumption updates on amortization of deferred sales inducements for the years ended December 31, 2021 and 2020. See Critical Accounting Policies and Estimates - Deferred Policy Acquisition Costs and Deferred Sales Inducements.

Change in fair value of embedded derivatives includes changes in the fair value of our fixed index annuity embedded derivatives (see *Note 7 - Derivative Instruments* to our audited consolidated financial statements). The components of change in fair value of embedded derivatives are as follows:

	Year Ended December 31,		
	2021	**2020**	**2019**
	(Dollars in thousands)		
Fixed index annuities - embedded derivatives	$ (876,803)	$ (1,922,085)	$ 562,302
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	520,863	635,298	891,740
Reinsurance related embedded derivative	(2,362)	—	—
	$ (358,302)	$ (1,286,787)	$ 1,454,042

The change in fair value of the fixed index annuity embedded derivatives resulted from (i) changes in the expected index credits on the next policy anniversary dates, which are related to the change in fair value of the call options acquired to fund those index credits discussed above in **Change in fair value of derivatives**; (ii) changes in the expected annual cost of options we will purchase in the future to fund index credits beyond the next policy anniversary; (iii) changes in the discount rates used in estimating our embedded derivative liabilities; and (iv) the growth in the host component of the policy liability. The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivative. See Critical Accounting Policies and Estimates- Policy Liabilities for Fixed Index Annuities.

The primary reason for the increase in the change in fair value of the fixed index annuity embedded derivatives during 2021 compared to 2020 was the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. See **Net Income available to common stockholders** above for a discussion of the impact of assumption updates on the fair value of the fixed index annuity embedded derivative for the years ended December 31, 2021 and 2020.

The increase in change in fair value of the fixed index annuity embedded derivatives for the year ended December 31, 2021 was also due to an increase in the net discount rate during the year ended December 31, 2021 compared to a decrease in the net discount rate during the same period of 2020 offset by a larger increase in expected index credits on the next policy anniversary dates resulting from a larger increase in the fair value of the call options acquired to fund these index credits during year ended December 31, 2021 compared to the year ended December 31, 2020. The discount rates used in estimating our embedded derivative liabilities fluctuate based on the changes in the general level of risk free interest rates and our own credit spread.

The reinsurance agreement executed in 2021 with Brookfield to cede certain fixed index annuity product liabilities on a modified coinsurance basis contains an embedded derivative. See *Note 7 - Derivative Instruments* for discussion on this embedded derivative.

Amortization of deferred policy acquisition costs before gross profit adjustments decreased in 2021 compared to 2020 primarily due to the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. Amortization of deferred policy acquisition costs is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. In addition, amortization of deferred policy acquisition costs for year ended December 31, 2021 decreased as index credits on index policies for the year ended December 31, 2021 were in excess of expected index credits and index credits on index policies for the same periods of 2020. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. As discussed above, fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. Amortization of deferred policy acquisition costs is summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Amortization of deferred policy acquisition costs before gross profit adjustments	$ 181,589	$ 368,139	$ 97,736
Gross profit adjustments:			
Fair value accounting for derivatives and embedded derivatives	88,576	293,827	(7,618)
Net realized losses on investments	(1,837)	(12,412)	(2,401)
Amortization of deferred policy acquisition costs after gross profit adjustments	$ 268,328	$ 649,554	$ 87,717

See **Net income available to common stockholders** and **non-GAAP operating income available to common stockholders, a non-GAAP financial measure,** above for discussion of the impact of assumption updates on amortization of deferred policy acquisition costs for the years ended December 31, 2021 and 2020. See Critical Accounting Policies and Estimates - Deferred Policy Acquisition Costs and Deferred Sales Inducements.

Other operating costs and expenses increased 33% to $243.7 million in 2021 and increased 19% to $183.6 million in 2020 from $154.2 million in 2019 and are summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Salary and benefits	$ 139,155	$ 95,815	$ 82,883
Risk charges	36,272	45,091	38,342
Other	68,285	42,730	32,928
Total other operating costs and expenses	$ 243,712	$ 183,636	$ 154,153

Salary and benefits expense increased in 2021 as a result of an increase in salary and benefits of $22.2 million and an increase of $22.2 million related to expense recognized under our equity and cash incentive compensation programs ("incentive compensation programs"). The increases in salary and benefits were due to an increased number of employees related to our continued growth and implementation of AEL 2.0. The increase in expense for our incentive compensation programs was primarily due to an increase in the expected payouts due to a larger number of employees participating in the programs and higher payouts for certain employees participating in the programs partially due to progress made in the execution of the AEL 2.0 strategy during 2021. The increases in salary and benefits for 2021 includes $6.1 million of expenses associated with talent transition as we implement the AEL 2.0 strategy.

The decrease in risk charges during 2021 compared to 2020 was due to the recapture of an existing reinsurance agreement which was replaced with a new agreement with a lower risk charge. We expect the risk charge to be approximately $9 million lower per quarter than the previous agreement.

Other expenses increased in 2021 compared to 2020 primarily as a result of increases in legal and consulting fees related to the implementation of AEL 2.0, increases in depreciation and maintenance expenses primarily related to software and hardware assets, and increases in agent conference related expenses as conferences resumed as we emerge from the COVID-19 pandemic.

We expect the level of other operating costs and expenses to settle into the $60 million per quarter range for the foreseeable future as we continue to execute on the AEL 2.0 strategy.

Income tax expense decreased in 2021 primarily due to an decrease in income before income taxes. The effective income tax rates were 21.4% and 17.7% for 2021 and 2020, respectively.

Income tax expense and the resulting effective tax rate are based upon two components of income before income taxes ("pretax income") that are taxed at different tax rates. Life insurance income is generally taxed at a statutory rate of approximately 21.5% reflecting the absence of state income taxes for substantially all of the states that the life insurance subsidiaries do business in. The income for the parent company and other non-life insurance subsidiaries (the "non-life insurance group") is generally taxed at a statutory tax rate of 28.7% reflecting the combined federal and state income tax rates. The effective income tax rates resulting from the combination of the income tax provisions for the life and non-life sources of income vary from year to year based primarily on the relative size of pretax income from the two sources.

The effective income tax rate for 2021 was not significantly impacted by discrete tax items. The effective tax rate for 2020 was impacted by a discrete tax item related to the provision of the Coronavirus Aid, Relief, and Economic Security Act that allowed net operating losses for 2018 through 2020 to be carried back to previous tax years in which a 35% statutory tax rate was in effect. The effective income tax rate excluding the impact of the discrete items was 21.4% for the year ended December 31, 2020.

Financial Condition

Investments

Our investment strategy is to maximize current income and total investment return through active management while maintaining a responsible asset allocation strategy containing high credit quality investments and providing adequate liquidity to meet our cash obligations to policyholders and others. Our investment strategy is also reflective of insurance statutes, which regulate the type of investments that our life subsidiaries are permitted to make and which limit the amount of funds that may be used for any one type of investment.

As previously noted, as part of our AEL 2.0 investment pillar, we intend to ramp up our allocation to private assets in part by partnering with proven asset managers in our focus expansion sectors of commercial real estate, residential real estate including mortgages and single family rental homes, infrastructure debt and equity, middle market lending and lending to revenue, technology and software sector companies.

The composition of our investment portfolio is summarized as follows:

	December 31,			
	2021		2020	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Fixed maturity securities:				
United States Government full faith and credit	$ 37,793	0.1 %	$ 39,771	0.1 %
United States Government sponsored agencies	1,040,953	1.7 %	1,039,551	1.9 %
United States municipalities, states and territories	3,927,201	6.5 %	3,776,131	7.0 %
Foreign government obligations	402,545	0.7 %	202,706	0.4 %
Corporate securities	34,660,234	57.4 %	31,156,827	58.1 %
Residential mortgage backed securities	1,125,049	1.9 %	1,512,831	2.8 %
Commercial mortgage backed securities	4,840,311	8.0 %	4,261,227	8.0 %
Other asset backed securities	5,271,857	8.7 %	5,549,849	10.4 %
Total fixed maturity securities	51,305,943	85.0 %	47,538,893	88.7 %
Mortgage loans on real estate	5,687,998	9.4 %	4,165,489	7.8 %
Real estate investments	337,939	0.6 %	—	— %
Derivative instruments	1,277,480	2.1 %	1,310,954	2.4 %
Other investments	1,767,144	2.9 %	590,078	1.1 %
	$ 60,376,504	100.0 %	$ 53,605,414	100.0 %

Fixed Maturity Securities

Our fixed maturity security portfolio is managed to minimize risks such as interest rate changes and defaults or credit losses while earning a sufficient and stable return on our investments. The largest portion of our fixed maturity securities are in investment grade (typically NAIC designation 1 or 2) publicly traded or privately placed corporate securities.

A summary of our fixed maturity securities by NRSRO ratings is as follows:

	December 31,			
	2021		2020	
Rating Agency Rating	Carrying Amount	Percent of Fixed Maturity Securities	Carrying Amount	Percent of Fixed Maturity Securities
	(Dollars in thousands)			
Aaa/Aa/A	$ 28,275,431	55.2 %	$ 27,883,428	58.7 %
Baa	21,875,939	42.6 %	18,408,954	38.7 %
Total investment grade	50,151,370	97.8 %	46,292,382	97.4 %
Ba	930,384	1.8 %	973,581	2.0 %
B	118,065	0.2 %	122,553	0.3 %
Caa	39,354	0.1 %	61,037	0.1 %
Ca and lower	66,770	0.1 %	89,340	0.2 %
Total below investment grade	1,154,573	2.2 %	1,246,511	2.6 %
	$ 51,305,943	100.0 %	$ 47,538,893	100.0 %

The NAIC's Securities Valuation Office ("SVO") is responsible for the day-to-day credit quality assessment of securities owned by state regulated insurance companies. The purpose of such assessment and valuation is for determining regulatory capital requirements and regulatory reporting. Insurance companies report ownership to the SVO when such securities are eligible for regulatory filings. The SVO conducts credit analysis on these securities for the purpose of assigning a NAIC designation and/or unit price. Typically, if a security has been rated by an NRSRO, the SVO utilizes that rating and assigns a NAIC designation based upon the following system:

NAIC Designation	NRSRO Equivalent Rating
1	Aaa/Aa/A
2	Baa
3	Ba
4	B
5	Caa
6	Ca and lower

As of December 31, 2020, the NAIC had introduced 20 NAIC designation modifiers that will be applied to each NAIC designation to determine a security's NAIC designation category. The NAIC has approved new unique risk-based capital charges for each of the 20 designated categories for reporting effective December 31, 2021.

For most of the bonds held in our portfolio the NAIC designation matches the NRSRO equivalent rating. However, for certain loan-backed and structured securities, as defined by the NAIC, the NAIC rating is not always equivalent to the NRSRO rating presented in the previous table. The NAIC has adopted revised rating methodologies for certain loan-backed and structured securities comprised of non-agency residential mortgage backed securities ("RMBS") and commercial mortgage backed securities ("CMBS"). The NAIC's objective with the revised rating methodologies for these structured securities is to increase the accuracy in assessing expected losses and use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from structured securities.

The use of this process by the SVO may result in certain non-agency RMBS and CMBS being assigned an NAIC designation that is different than the equivalent NRSRO rating. The NAIC designations for non-agency RMBS and CMBS are based on security level expected losses as modeled by an independent third party (engaged by the NAIC) and the statutory carrying value of the security, including any purchase discounts or impairment charges previously recognized. Evaluation of non-agency RMBS and CMBS held by insurers using the NAIC rating methodologies is performed on an annual basis.

Our fixed maturity security portfolio is managed to minimize risks such as defaults or impairments while earning a sufficient and stable return on our investments. Our strategy with respect to our fixed maturity securities portfolio has been to invest primarily in investment grade securities. Investment grade is NAIC 1 and 2 securities and Baa3/BBB- and better securities on the NRSRO scale. This strategy meets the objective of minimizing risk while also managing asset capital charges on a regulatory capital basis.

A summary of our fixed maturity securities by NAIC designation is as follows:

NAIC Designation	December 31, 2021 Amortized Cost	December 31, 2021 Fair Value	December 31, 2021 Carrying Amount	December 31, 2021 Percentage of Total Carrying Amount	December 31, 2020 Amortized Cost	December 31, 2020 Fair Value	December 31, 2020 Carrying Amount	December 31, 2020 Percentage of Total Carrying Amount
	(Dollars in thousands)				(Dollars in thousands)			
1	$ 26,157,531	$ 28,785,839	$ 28,785,839	56.1 %	$ 23,330,149	$ 26,564,542	$ 26,564,542	55.9 %
2	19,758,594	21,396,020	21,396,020	41.7 %	17,312,485	19,377,013	19,377,013	40.8 %
3	909,311	941,210	941,210	1.9 %	1,292,124	1,299,455	1,299,455	2.7 %
4	133,070	147,160	147,160	0.3 %	282,049	256,651	256,651	0.5 %
5	16,496	15,357	15,357	— %	29,396	16,288	16,288	— %
6	24,181	20,357	20,357	— %	58,533	24,944	24,944	0.1 %
	$ 46,999,183	$ 51,305,943	$ 51,305,943	100.0 %	$ 42,304,736	$ 47,538,893	$ 47,538,893	100.0 %

The amortized cost and fair value of fixed maturity securities at December 31, 2021, by contractual maturity are presented in *Note 4 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Unrealized Losses

The amortized cost and fair value of fixed maturity securities that were in an unrealized loss position were as follows:

	Number of Securities	Amortized Cost	Unrealized Losses, Net of Allowance	Allowance for Credit Losses	Fair Value
		(Dollars in thousands)			
December 31, 2021					
Fixed maturity securities, available for sale:					
United States Government full faith and credit	2	$ 1,041	$ (34)	$ —	$ 1,007
United States Government sponsored agencies	6	760,060	(90)	—	759,970
United States municipalities, states and territories	42	190,471	(3,042)	(2,776)	184,653
Foreign government obligations	3	43,704	(843)	—	42,861
Corporate securities	600	2,530,864	(38,442)	—	2,492,422
Residential mortgage backed securities	74	280,044	(2,093)	(70)	277,881
Commercial mortgage backed securities	108	944,407	(17,719)	—	926,688
Other asset backed securities	592	3,172,613	(50,107)	—	3,122,506
	1,427	$ 7,923,204	$ (112,370)	$ (2,846)	$ 7,807,988
December 31, 2020					
Fixed maturity securities, available for sale:					
United States Government sponsored agencies	3	$ 250,521	$ (46)	$ —	$ 250,475
United States municipalities, states and territories	14	36,558	(1,044)	(2,844)	32,670
Corporate securities	103	856,995	(35,892)	(60,193)	760,910
Residential mortgage backed securities	43	173,875	(2,526)	(1,734)	169,615
Commercial mortgage backed securities	122	1,034,424	(64,678)	—	969,746
Other asset backed securities	558	3,728,144	(146,640)	—	3,581,504
	843	$ 6,080,517	$ (250,826)	$ (64,771)	$ 5,764,920

The unrealized losses at December 31, 2021 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2021, and the continued impact the COVID-19 pandemic had on credit markets. Approximately 85% and 75% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2021 and December 31, 2020, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

The decrease in unrealized losses from December 31, 2020 to December 31, 2021 was primarily related to pricing improvements due to improved credit quality for certain fixed maturity securities during the twelve months ended December 31, 2021 and strategies to reposition the fixed maturity security portfolio that resulted in the sales of certain securities that were in an unrealized loss position at December 31, 2020. This decrease was partially offset by an increase in treasury yields during the twelve months ended December 31, 2021. The 10-year U.S. Treasury yields at December 31, 2021 and December 31, 2020 were 1.52% and 0.93%, respectively. The 30-year U.S. Treasury yields at December 31, 2021 and December 31, 2020 were 1.90% and 1.65%, respectively.

The following table sets forth the composition by credit quality (NAIC designation) of fixed maturity securities with gross unrealized losses:

NAIC Designation	Carrying Value of Securities with Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses (1)	Percent of Total
	(Dollars in thousands)			
December 31, 2021				
1	$ 4,174,438	53.5 %	$ (37,884)	33.7 %
2	3,197,575	41.0 %	(57,354)	51.0 %
3	376,996	4.8 %	(13,723)	12.2 %
4	33,229	0.4 %	(1,083)	1.0 %
5	9,506	0.1 %	(1,140)	1.0 %
6	16,244	0.2 %	(1,186)	1.1 %
	$ 7,807,988	100.0 %	$ (112,370)	100.0 %
December 31, 2020				
1	$ 2,625,341	45.5 %	$ (82,045)	32.7 %
2	2,286,377	39.7 %	(106,700)	42.5 %
3	650,364	11.3 %	(42,040)	16.8 %
4	178,669	3.1 %	(16,274)	6.5 %
5	4,991	0.1 %	(1,640)	0.7 %
6	19,178	0.3 %	(2,127)	0.8 %
	$ 5,764,920	100.0 %	$ (250,826)	100.0 %

(1) Gross unrealized losses have been adjusted to reflect the allowance for credit loss of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

Our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 1,427 and 843 securities, respectively) have been in a continuous unrealized loss position at December 31, 2021 and 2020, along with a description of the factors causing the unrealized losses is presented in *Note 4 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

The amortized cost and fair value of fixed maturity securities in an unrealized loss position and the number of months in a continuous unrealized loss position (fixed maturity securities that carry an NRSRO rating of BBB/Baa or higher are considered investment grade) were as follows:

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
			(Dollars in thousands)	
December 31, 2021				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	1,024	$ 5,582,431	$ 5,536,216	$ (46,215)
Six months or more and less than twelve months	39	132,110	130,156	(1,954)
Twelve months or greater	281	1,752,779	1,705,640	(47,139)
Total investment grade	1,344	7,467,320	7,372,012	(95,308)
Below investment grade:				
Less than six months	12	43,808	43,057	(751)
Six months or more and less than twelve months	7	28,544	25,706	(2,838)
Twelve months or greater	64	380,686	367,213	(13,473)
Total below investment grade	83	453,038	435,976	(17,062)
	1,427	$ 7,920,358	$ 7,807,988	$ (112,370)
December 31, 2020				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	54	$ 686,711	$ 679,337	$ (7,374)
Six months or more and less than twelve months	310	2,201,769	2,118,844	(82,925)
Twelve months or greater	338	2,400,833	2,288,755	(112,078)
Total investment grade	702	5,289,313	5,086,936	(202,377)
Below investment grade:				
Less than six months	9	48,355	47,984	(371)
Six months or more and less than twelve months	37	155,451	146,779	(8,672)
Twelve months or greater	95	522,627	483,221	(39,406)
Total below investment grade	141	726,433	677,984	(48,449)
	843	$ 6,015,746	$ 5,764,920	$ (250,826)

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

The amortized cost and fair value of fixed maturity securities (excluding United States Government and United States Government sponsored agency securities) segregated by investment grade (NRSRO rating of BBB/Baa or higher) and below investment grade that had unrealized losses greater than 20% and the number of months in a continuous unrealized loss position were as follows:

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
			(Dollars in thousands)	
December 31, 2021				
Investment grade:				
Less than six months	—	$ —	$ —	$ —
Six months or more and less than twelve months	—	—	—	—
Twelve months or greater	—	—	—	—
Total investment grade	—	—	—	—
Below investment grade:				
Less than six months	—	—	—	—
Six months or more and less than twelve months	—	—	—	—
Twelve months or greater	—	—	—	—
Total below investment grade	—	—	—	—
	—	$ —	$ —	$ —
December 31, 2020				
Investment grade:				
Less than six months	1	$ 2,453	$ 1,909	$ (544)
Six months or more and less than twelve months	4	21,368	15,589	(5,779)
Twelve months or greater	—	—	—	—
Total investment grade	5	23,821	17,498	(6,323)
Below investment grade:				
Less than six months	1	5,963	4,323	(1,640)
Six months or more and less than twelve months	8	38,046	38,046	—
Twelve months or greater	5	3,875	3,062	(813)
Total below investment grade	14	47,884	45,431	(2,453)
	19	$ 71,705	$ 62,929	$ (8,776)

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

The amortized cost and fair value of fixed maturity securities, by contractual maturity, that were in an unrealized loss position are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

	Available for sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
December 31, 2021		
Due in one year or less	$ 762,035	$ 761,590
Due after one year through five years	509,458	505,312
Due after five years through ten years	546,453	535,258
Due after ten years through twenty years	638,205	627,275
Due after twenty years	1,069,989	1,051,478
	3,526,140	3,480,913
Residential mortgage backed securities	280,044	277,881
Commercial mortgage backed securities	944,407	926,688
Other asset backed securities	3,172,613	3,122,506
	$ 7,923,204	$ 7,807,988
December 31, 2020		
Due in one year or less	$ 2,324	$ 1,864
Due after one year through five years	382,843	360,761
Due after five years through ten years	396,842	355,188
Due after ten years through twenty years	216,725	203,282
Due after twenty years	145,340	122,960
	1,144,074	1,044,055
Residential mortgage backed securities	173,875	169,615
Commercial mortgage backed securities	1,034,424	969,746
Other asset backed securities	3,728,144	3,581,504
	$ 6,080,517	$ 5,764,920

International Exposure

We hold fixed maturity securities with international exposure. As of December 31, 2021, 11.8% of the carrying value of our fixed maturity securities was comprised of corporate debt securities of issuers based outside of the United States and debt securities of foreign governments. Our fixed maturity securities with international exposure are primarily denominated in U.S. dollars. Our investment professionals analyze each holding for credit risk by economic and other factors of each country and industry. The following table presents our international exposure in our fixed maturity portfolio by country or region:

	December 31, 2021		
	Amortized Cost	Carrying Amount/ Fair Value	Percent of Total Carrying Amount
	(Dollars in thousands)		
Europe	$ 2,591,444	$ 2,852,787	5.6 %
Asia/Pacific	397,281	440,845	0.9 %
Latin America	239,427	260,903	0.5 %
Non-U.S. North America	1,351,057	1,497,014	2.9 %
Australia & New Zealand	326,657	351,018	0.7 %
Other	571,475	619,334	1.2 %
	$ 5,477,341	$ 6,021,901	11.8 %

All of the securities presented in the table above are investment grade (NAIC designation of either 1 or 2), except for the following:

	December 31, 2021	
	Amortized Cost	Carrying Amount/ Fair Value
	(Dollars in thousands)	
Europe	$ 38,773	$ 40,129
Asia/Pacific	83	81
Latin America	50,166	51,817
Non-U.S. North America	44,904	45,789
Australia & New Zealand	497	482
Other	64,470	67,600
	$ 198,893	$ 205,898

Watch List

At each balance sheet date, we identify invested assets which have characteristics (i.e., significant unrealized losses compared to amortized cost and industry trends) creating uncertainty as to our future assessment of credit losses. As part of this assessment, we review not only a change in current price relative to its amortized cost but the issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength. For corporate issuers, we evaluate the financial stability and quality of asset coverage for the securities relative to the term to maturity for the issues we own. For asset-backed securities, we evaluate changes in factors such as collateral performance, default rates, loss severities and expected cash flows. At December 31, 2021, the amortized cost and fair value of securities on the watch list (all fixed maturity securities) are as follows:

General Description	Number of Securities	Amortized Cost	Allowance for Credit Losses	Amortized Cost, Net of Allowance	Net Unrealized Gains (Losses), Net of Allowance	Fair Value
			(Dollars in thousands)			
Corporate securities - Public securities	3	$ 6,564	$ —	$ 6,564	$ (580)	$ 5,984
Corporate securities - Private placement securities	1	10,646	—	10,646	(1,140)	9,506
Residential mortgage backed securities	14	27,451	(70)	27,381	316	27,697
Commercial mortgage backed securities	10	114,815	—	114,815	291	115,106
United States municipalities, states and territories	5	19,062	(2,776)	16,286	(574)	15,712
	33	$ 178,538	$ (2,846)	$ 175,692	$ (1,687)	$ 174,005

We expect to recover the unrealized losses, net of allowances, as we did not have the intent to sell and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost basis, net of allowances. Our analysis of these securities and their credit performance at December 31, 2021 is as follows:

Corporate securities: The corporate securities included on the watch list primarily have exposure to the offshore drilling industry. The decline in value of these securities is due to the low level of oil prices over a long period of time. While oil prices have drifted up in recent periods, credit metrics remain under pressure. In addition, the corporate securities included on the watch list include a security in the utilities industry that is under financial stress due to the impact of power outages. While we continue to monitor the status of these securities, we do not currently expect credit losses on these securities.

Structured securities: The structured securities included on the watch list have generally experienced higher levels of stress due to the impact COVID-19 is having on the economy. While there is a heightened level of credit risk for the structured securities on the watch list, we expect minimal credit losses on these securities based on our current analyses.

United States municipalities, states and territories: The decline in value of these securities, which are related to senior living facilities in the Southeastern region of the United States, is primarily due to the financial strain COVID-19 is having on this industry.

Credit Losses

We have a policy and process to identify securities in our investment portfolio for which we recognize credit loss. See Critical Accounting Policies and Estimates—Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios and *Note 4 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

During 2021, we recognized credit losses of $6.2 million related to our fixed maturity securities which consisted of $6.9 million of credit losses on commercial mortgage backed securities due to our intent to sell the securities, partially offset by net recoveries on corporate securities, municipal securities and residential mortgage backed securities.

During 2020, we recognized credit losses of $60.4 million on corporate securities, $1.7 million on residential mortgage backed securities, $29.2 million on commercial mortgage backed securities, $0.5 million on other asset backed securities and $2.8 million on municipal securities.

Mortgage Loans on Real Estate

Our financing receivables consist of three mortgage loan portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our commercial mortgage loan portfolio consists of loans with an outstanding principal balance of $3.6 billion and $3.6 billion as of December 31, 2021 and December 31, 2020, respectively. This portfolio consists of mortgage loans collateralized by the related properties and diversified as to property type, location and loan size. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $408.1 million and $245.8 million as of December 31, 2021 and December 31, 2020, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $1.7 billion and $366.3 million as of December 31, 2021 and December 31, 2020, respectively. These loans are collateralized by the related properties and diversified as to location within the United States. Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances.

At December 31, 2021 and 2020, the largest principal amount outstanding for any single commercial or agricultural mortgage loan was $81.5 million and $34.7 million, respectively, and the average loan size was $5.3 million and $4.8 million, respectively. In addition, the average loan-to-value ratio for commercial and agricultural mortgage loans combined was 52.3% and 53.6% at December 31, 2021 and 2020, respectively, based upon the underwriting and appraisal at the time the loan was made. This loan-to-value ratio is indicative of our conservative underwriting policies and practices for originating mortgage loans and may not be indicative of collateral values at the current reporting date. Our current practice is to only obtain market value appraisals of the underlying collateral at the inception of the loan unless we identify indicators of impairment in our ongoing analysis of the portfolio, in which case, we either calculate a value of the collateral using a capitalization method or obtain a third party appraisal of the underlying collateral. The commercial mortgage loan portfolio is summarized by geographic region and property type in *Note 5 - Mortgage Loans on Real Estate* of our audited consolidated financial statements of this Form 10-K, which is incorporated by reference in this Item 7.

In the normal course of business, we commit to fund mortgage loans up to 90 days in advance. At December 31, 2021, we had commitments to fund commercial mortgage loans totaling $59.0 million, with interest rates ranging from 3.6% to 5.1%. During 2021 and 2020, due to historically low interest rates, the commercial mortgage loan industry has been very competitive. This competition has resulted in a number of borrowers refinancing with other lenders. For the year ended December 31, 2021, we received $350.6 million in cash for loans being paid in full compared to $199.5 million for the year ended December 31, 2020. Some of the loans being paid off have either reached their maturity or are nearing maturity; however, some borrowers are paying the prepayment fee and refinancing at a lower rate. As December 31, 2021, we had commitments to fund agricultural mortgage loans totaling $69.0 million with interest rates ranging from 3.5% to 8.0%, and had commitments to fund residential mortgage loans totaling $242.4 million with interest rates ranging from 6.75% to 24.0%.

See *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a presentation of our valuation allowance, foreclosure activity and troubled debt restructure analysis. We have a process by which we evaluate the credit quality of each of our mortgage loans. This process utilizes each loan's loan-to-value and debt service coverage ratios as primary metrics. See *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a summary of our portfolio by loan-to-value and debt service coverage ratios.

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Commercial, agricultural and residential loans are considered nonperforming when they are 90 days or more past due. Aging of financing receivables is summarized in the following table:

	Current	30-59 days past due	60-89 days past due	Over 90 days past due	Total
As of December 31, 2021:			(Dollars in thousands)		
Commercial mortgage loans	$ 3,628,502	$ —	$ —	$ —	$ 3,628,502
Agricultural mortgage loans	406,999	—	—	—	406,999
Residential mortgage loans	1,631,999	34,447	3,030	7,045	1,676,521
Total mortgage loans	$ 5,667,500	$ 34,447	$ 3,030	$ 7,045	$ 5,712,022
As of December 31, 2020:					
Commercial mortgage loans	$ 3,578,888	$ —	$ —	$ —	$ 3,578,888
Agricultural mortgage loans	245,173	—	—	—	245,173
Residential mortgage loans	346,730	25,449	111	167	372,457
Total mortgage loans	$ 4,170,791	$ 25,449	$ 111	$ 167	$ 4,196,518

Derivative Instruments

Our derivative instruments primarily consist of call options purchased to provide the income needed to fund the annual index credits on our fixed index annuity products. The fair value of the call options is based upon the amount of cash that would be required to settle the call options obtained from the counterparties adjusted for the nonperformance risk of the counterparty. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options.

None of our derivatives qualify for hedge accounting, thus, any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. A presentation of our derivative instruments along with a discussion of the business strategy involved with our derivatives is included in *Note 7 - Derivative Instruments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Liabilities

Our liability for policy benefit reserves increased to $65.5 billion at December 31, 2021 compared to $62.4 billion at December 31, 2020. The increase in policy benefit reserves is due to net cash flows from annuity deposits and funds returned to policyholders and interest and index credits credited to policyholders during 2021. Substantially all of our annuity products have a surrender charge feature designed to reduce the risk of early withdrawal or surrender of the policies and to compensate us for our costs if policies are withdrawn early. Our lifetime income benefit rider also reduces the risk of early withdrawal or surrender of the policies as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. Notwithstanding these policy features, the withdrawal rates of policyholder funds may be affected by changes in interest rates and other factors.

See *Note 11 - Notes Payable and Amounts Due Under Repurchase Agreements* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7 for discussion of our notes payable and borrowings under repurchase agreements.

See *Note 12 - Subordinated Debentures* to our audited consolidated financial statements for additional information concerning our subordinated debentures payable to, and the preferred securities issued by, our subsidiary trusts.

Liquidity and Capital Resources

Liquidity for Insurance Operations

Our insurance subsidiaries' primary sources of cash flow are annuity deposits, investment income, and proceeds from the sale, maturity and calls of investments. The primary uses of funds are investment purchases, payments to policyholders in connection with surrenders and withdrawals, policy acquisition costs and other operating expenses.

Liquidity requirements are met primarily by funds provided from operations. Our life subsidiaries generally receive adequate cash flow from annuity deposits and investment income to meet their obligations. Annuity liabilities are generally long-term in nature. However, a primary liquidity concern is the risk of an extraordinary level of early policyholder withdrawals. We include provisions within our annuity policies, such as surrender charges and bonus vesting, which help limit and discourage early withdrawals. Our lifetime income benefit rider also limits the risk of early withdrawals as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. At December 31, 2021, approximately 92% or $48.7 billion of our annuity liabilities were subject to penalty upon surrender, with a weighted average remaining surrender charge period of 5.5 years and a weighted average surrender charge percentage of 9.1%.

Our insurance subsidiaries generally have adequate cash flows from annuity deposits and investment income to meet their policyholder and other obligations. Net cash flows from annuity deposits and funds returned to policyholders as surrenders, withdrawals and death claims were $1.3 billion for the year ended December 31, 2021 compared to $39.5 million for the year ended December 31, 2020 with the increase attributable to a $1.9 billion increase in net annuity deposits after coinsurance and a $587.2 million (after coinsurance) increase in funds returned to policyholders. In addition, we have a highly liquid investment portfolio that can be used to meet policyholder and other obligations as needed. Scheduled principal repayments, calls and tenders of available for sale fixed maturity securities and net investment income were $3.7 billion and $2.0 billion, respectively, during the year ended December 31, 2021.

Liquidity of Parent Company

We, as the parent company, are a legal entity separate and distinct from our subsidiaries, and have no business operations. We need liquidity primarily to service our debt (senior notes and subordinated debentures issued to a subsidiary trust), pay operating expenses and pay dividends to common and preferred stockholders. Our assets consist primarily of the capital stock and surplus notes of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our subsidiaries, such as payments under our investment advisory agreements and tax allocation agreement with our subsidiaries. These sources provide adequate cash flow for us to meet our current and reasonably foreseeable future obligations and we expect they will be adequate to fund our parent company cash flow requirements in 2022.

The ability of our life insurance subsidiaries to pay dividends or distributions, including surplus note payments, will be limited by applicable laws and regulations of the states in which our life insurance subsidiaries are domiciled, which subject our life insurance subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory capital and surplus at the preceding December 31. For 2022, up to $407.9 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of statutory earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities in the life subsidiary's state of domicile. American Equity Life had $2.4 billion of statutory earned surplus at December 31, 2021.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, state insurance laws and regulations require that the statutory surplus of our life subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for their financial needs. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from rating agencies. Both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect the cash available to us from insurance subsidiaries. As of December 31, 2021, we estimate American Equity Life has sufficient statutory capital and surplus, combined with capital available to the holding company, to maintain its insurer financial strength rating objective. However, this capital may not be sufficient if significant future losses are incurred or a rating agency modifies its rating criteria and access to additional capital could be limited.

On November 21, 2019 we issued 16,000 shares of 5.95% fixed-rate reset non-cumulative preferred stock, Series A, with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $388.9 million. We used a portion of the proceeds to redeem $165 million of our floating rate subordinated debentures in the fourth quarter of 2019 and the first quarter of 2020 and contributed $200 million to American Equity Life during May of 2020.

On June 10, 2020, we issued 12,000 shares of 6.625% fixed-rate reset non-cumulative preferred stock, Series B with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $290.3 million.

On November 30, 2020 we issued 9,106,042 common shares to Brookfield at a value of $37.00 per share for net proceeds of $333.6 million. On January 7, 2022, we issued an additional 6,775,000 shares to Brookfield at a value of $37.33 per share for net proceeds of $252.9 million.

During the fourth quarter of 2020, we repurchased 1.9 million shares of our common stock for $50 million in the open market under our share repurchase program. During 2021, we repurchased an additional 3.1 million share of our common stock for $99.4 million in the open market under our share repurchase program. In addition, on November 30, 2020 we entered into an accelerated share repurchase (ASR) agreement with Citibank, N.A. to repurchase an aggregate of $115 million of our common stock. Under the ASR agreement, we received an initial share delivery of approximately 3.5 million shares. The final settlement of 0.5 million shares, which was based on the volume-weighted average price of our common stock during the term of the transaction, less a discount and subject to customary adjustments, was delivered on February 25, 2021. The average price paid for shares repurchased under the ASR was $28.45 per common share. During 2022, we repurchased an additional 2.5 million shares of our common stock through February 25, 2022 for $105.7 million in the open market under our share repurchase program. Through February 25, 2022, we have repurchased approximately 11.6 million shares of our common shares at an average price of $31.78 per common share and have approximately $630 million remaining under our share repurchase program.

Cash and cash equivalents of the parent holding company at December 31, 2021, were $362.2 million. We also have the ability to issue equity, debt or other types of securities through one or more methods of distribution. The terms of any offering would be established at the time of the offering, subject to market conditions. On February 15, 2022, we established a new five-year credit agreement for $300 million in unsecured delayed draw term loan commitments. This agreement is part of our plans for access to liquidity for general corporate purposes as we continue to implement our strategic transformation to an at-scale origination, spread and capital light fee-based business, and to manage capital to grow as well as produce returns for shareholders. There have been no loans drawn on this agreement to date.

In January 2022, we became a member of the Federal Home Loan Bank of Des Moines ("FHLB"). There have been no advances executed under this membership to date.

Statutory accounting practices prescribed or permitted for our life subsidiaries differ in many respects from those governing the preparation of financial statements under GAAP. Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items. Information as to statutory capital and surplus and statutory net income for our life subsidiaries as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 is included in *Note 14 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements.

In the normal course of business, we enter into financing transactions, lease agreements, or other commitments. These commitments may obligate us to certain cash flows during future periods. The following table summarizes such obligations as of December 31, 2021.

	Payments Due by Period				
	Total	Less Than 1 year	1–3 Years	4–5 Years	After 5 Years
	(Dollars in thousands)				
Annuity and single premium universal life products (1)	$ 72,960,114	$ 3,938,038	$ 15,703,072	$ 9,782,847	$ 43,536,157
Notes payable, including interest payments (2)	637,500	25,000	50,000	50,000	512,500
Subordinated debentures, including interest payments (3)	220,675	4,850	9,700	9,700	196,425
Operating leases	12,574	2,509	4,564	3,934	1,567
Mortgage loan funding and other investments	836,400	836,400	—	—	—
Total	$ 74,667,263	$ 4,806,797	$ 15,767,336	$ 9,846,481	$ 44,246,649

(1) Amounts shown in this table are projected payments through the year 2072 which we are contractually obligated to pay to our annuity policyholders. The payments are derived from actuarial models which assume a level interest rate scenario and incorporate assumptions regarding mortality and persistency, when applicable. These assumptions are based on our historical experience.

(2) Period that principal amounts are due is determined by the earliest of the call/put date or the maturity date of each note payable.

(3) Amount shown is net of equity investments in the capital trusts due to the contractual right of offset upon repayment of the notes.

Critical Accounting Policies & Estimates

The increasing complexity of the business environment and applicable authoritative accounting guidance require us to closely monitor our accounting policies. We have identified six critical accounting policies and estimates that are complex and require significant judgment. The following summary of our critical accounting policies and estimates is intended to enhance your ability to assess our financial condition and results of operations and the potential volatility due to changes in estimates.

Valuation of Investments

Our fixed maturity securities classified as available for sale are reported at fair value. Unrealized gains and losses, if any, on these securities are included directly in stockholders' equity as a component of accumulated other comprehensive income (loss), net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves. Unrealized gains and losses represent the difference between the amortized cost or cost basis and the fair value of these investments. We use significant judgment within the process used to determine fair value of these investments.

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

We categorize financial instruments recorded at fair value in the consolidated balance sheets as follows:

Level 1 - Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level 2 - Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.

Level 3 - Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

The following table presents the fair value of fixed maturity securities, available for sale, by pricing source and hierarchy level as of December 31, 2021 and 2020, respectively:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Dollars in thousands)			
December 31, 2021				
Priced via third party pricing services	$ 32,742	$ 47,204,947	$ —	$ 47,237,689
Priced via independent broker quotations	—	—	—	—
Priced via other methods	32,695	4,035,559	—	4,068,254
	$ 65,437	$ 51,240,506	$ —	$ 51,305,943
% of Total	0.1 %	99.9 %	— %	100.0 %
December 31, 2020				
Priced via third party pricing services	$ 33,948	$ 46,445,244	$ —	$ 46,479,192
Priced via independent broker quotations	—	296,022	—	296,022
Priced via other methods	—	763,679	—	763,679
	$ 33,948	$ 47,504,945	$ —	$ 47,538,893
% of Total	0.1 %	99.9 %	— %	100.0 %

Management's assessment of all available data when determining fair value of our investments is necessary to appropriately apply fair value accounting.

We utilize independent pricing services in estimating the fair values of investment securities. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

- reported trading prices,
- benchmark yields,
- broker-dealer quotes,
- benchmark securities,
- bids and offers,
- credit ratings,
- relative credit information, and
- other reference data.

The independent pricing services also take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary.

The independent pricing services provide quoted market prices when available. Quoted prices are not always available due to market inactivity. When quoted market prices are not available, the third parties use yield data and other factors relating to instruments or securities with similar characteristics to determine fair value for securities that are not actively traded. We generally obtain one value from our primary external pricing service. In situations where a price is not available from this service, we may obtain quotes or prices from additional parties as needed. Market indices of similar rated asset class spreads are considered for valuations and broker indications of similar securities are compared. Inputs used by the broker include market information, such as yield data and other factors relating to instruments or securities with similar characteristics. Valuations and quotes obtained from third party commercial pricing services are non-binding and do not represent quotes on which one may execute the disposition of the assets.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2021 and 2020.

Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios

The process to identify available for sale fixed maturity securities that could potentially require an allowance for credit loss involves significant judgment and estimates by management. We review and analyze all fixed maturity securities on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost or cost basis of each fixed maturity security that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of fixed maturity securities for credit loss is a quantitative and qualitative process, which is subject to risks and uncertainties.

We have a policy and process to identify fixed maturity securities that could potentially have a credit loss. This process involves monitoring market events and other items that could impact issuers. The evaluation includes but is not limited to such factors as:

- the extent to which fair value is less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;
- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether an allowance for credit loss should be established for fixed maturity securities by assessing all facts and circumstances surrounding each security. Where the decline in fair value of fixed maturity securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these securities to have credit loss because we do not intend to sell these securities and it is not more likely than not we will be required to sell these securities before a recovery of amortized cost, which may be maturity.

If we intend to sell a fixed maturity security or if it is more likely than not that we will be required to sell a security before recovery of its amortized cost basis, credit loss has occurred and the difference between amortized cost and fair value will be recognized as a loss in operations.

If we do not intend to sell and it is not more likely than not we will be required to sell the fixed maturity security but also do not expect to recover the entire amortized cost basis of the security, a credit loss would be recognized in operations in the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The recognized credit loss is limited to the unrealized loss on the security.

The determination of the credit loss component of a mortgage backed security is based on a number of factors. The primary consideration in this evaluation process is the issuer's ability to meet current and future interest and principal payments as contractually stated at time of purchase. Our review of these securities includes an analysis of the cash flow modeling under various default scenarios considering independent third party benchmarks, the seniority of the specific tranche within the structure of the security, the composition of the collateral and the actual default, loss severity and prepayment experience exhibited. With the input of third party assumptions for default projections, loss severity and prepayment expectations, we evaluate the cash flow projections to determine whether the security is performing in accordance with its contractual obligation.

We utilize the models from a leading structured product software specialist serving institutional investors. These models incorporate each security's seniority and cash flow structure. In circumstances where the analysis implies a potential for principal loss at some point in the future, we use our "best estimate" cash flow projection discounted at the security's effective yield at acquisition to determine the amount of our potential credit loss associated with this security. The discounted expected future cash flows equates to our expected recovery value. Any shortfall of the expected recovery when compared to the amortized cost of the security will be recorded as credit loss.

The cash flow modeling is performed on a security-by-security basis and incorporates actual cash flows on the residential mortgage backed securities through the current period, as well as the projection of remaining cash flows using a number of assumptions including default rates, prepayment rates and loss severity rates. The default curves we use are tailored to the Prime or Alt-A residential mortgage backed securities that we own, which assume lower default rates and loss severity for Prime securities versus Alt-A securities. These default curves are scaled higher or lower depending on factors such as current underlying mortgage loan performance, rating agency loss projections, loan to value ratios, geographic diversity, as well as other appropriate considerations.

The determination of the credit loss component of a corporate bond is based on the underlying financial performance of the issuer and their ability to meet their contractual obligations. Considerations in our evaluation include, but are not limited to, credit rating changes, financial statement and ratio analysis, changes in management, significant changes in credit spreads, breaches of financial covenants and a review of the economic outlook for the industry and markets in which they trade. In circumstances where an issuer appears unlikely to meet its future obligation, an estimate of credit loss is determined. Credit loss is calculated using default probabilities as derived from the credit default swaps markets in conjunction with recovery rates derived from independent third party analysis or a best estimate of credit loss. This credit loss rate is then incorporated into a present value calculation based on an expected principal loss in the future discounted at the yield at the date of purchase and compared to amortized cost to determine the amount of credit loss associated with the security.

For fixed maturity securities which we do not intend to sell and it is not more likely than not we will be required to sell, but our intent changes due to changes or events that could not have been reasonably anticipated, a credit loss may be recognized in operations. Unrealized losses may be recognized in future periods in operations should we later conclude that the decline in fair value below amortized cost represents a credit loss pursuant to our accounting policy described above. The use of different methodologies and assumptions to determine the fair value of investments and the timing and amount of impairments may have a material effect on the amounts presented in our consolidated financial statements.

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses.

The valuation allowance for commercial mortgage loans is calculated by pooling our loans based on risk rating and property collateral type and applying an estimated loss ratio against each risk pool. Risk ratings are based on an analysis of the current state of the borrower's credit quality, which considers factors such as loan-to-value ("LTV") and debt service coverage ("DSC") ratios, loan performance and economic outlook, among others. The loss ratios are generally based upon historical loss experience for each risk pool and are adjusted for current and forecasted economic factors management believes to be relevant and supportable. Economic factors are forecasted for two years with immediate reversion to historical experience.

A commercial loan is individually evaluated for impairment if it does not continue to share similar risk characteristics of a pool. A commercial mortgage loan that is individually evaluated is impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. If we determine that the value of any specific mortgage loan is impaired, the carrying amount of the mortgage loan will be reduced to its fair value, based upon the present value of expected future cash flows from the loan discounted at the loan's effective interest rate, or the fair value of the underlying collateral less estimated costs to sell.

The valuation allowance for agricultural and residential mortgage loans are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in our portfolio, historical economic data and loss information, and current and forecasted economics conditions. Key loan characteristics impacting the estimate include delinquency status, time to maturity, original credit scores and loan-to-value ratios.

Policy Liabilities for Fixed Index Annuities

We offer a variety of fixed index annuities with crediting strategies linked to the S&P 500 Index and other equity and bond market indices. We purchase call options on the applicable indices as an investment to provide the income needed to fund the annual index credits on the index products. See Financial Condition—Derivative Instruments. Certain derivative instruments embedded in the fixed index annuity contracts are recognized in the consolidated balance sheets at their fair values and changes in fair value are recognized immediately in our consolidated statements of operations in accordance with accounting standards for derivative instruments and hedging activities.

Accounting for derivatives prescribes that the contractual obligations for future annual index credits are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. Policy liabilities for fixed index annuities are equal to the sum of the "host" (or guaranteed) component and the embedded derivative component for each fixed index annuity policy. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. We estimate the fair value of the embedded derivative component at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements including lapse, partial withdrawal and mortality rates. Our best estimate assumptions for future policy growth include assumptions for the expected index credits on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. The amounts reported in the consolidated statements of operations as "Interest sensitive and index product benefits" represent amounts credited to policy liabilities pursuant to accounting by insurance companies for certain long-duration contracts which include index credits through the most recent policy anniversary. The amounts reported in the consolidated statements of operations as "Change in fair value of embedded derivatives" equal the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

In general, the change in the fair value of the embedded derivatives will not correspond to the change in fair value of the purchased call options because the purchased call options are generally one year options while the options valued in the embedded derivatives represent the rights of the contract holder to receive index credits over the entire period the fixed index annuities are expected to be in force, which typically exceeds 10 years.

The most sensitive assumptions in determining policy liabilities for fixed index annuities are 1) the rates used to discount the excess projected contract values, 2) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary date and 3) our best estimate for future policy decrements specific to lapse rates.

As indicated above, the discount rates used to discount excess projected contract value are based on applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. If the discount rates used to discount the excess projected contract values at December 31, 2021 were to increase by 100 basis points, our reserves for fixed index annuities would decrease by $546.8 million. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase our reserves for fixed index annuities by $627.3 million.

As of December 31, 2021, we utilized an estimate of 2.10% for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual options costs. If the expected cost of annual call options we purchase in the future to fund index credits beyond the next policy anniversary date were to increase by 25 basis points, our reserves for fixed index annuities would increase by $537.8 million. A decrease of 25 basis points in the expected cost of annual call options would decrease our reserves for fixed index annuities by $509.6 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our reserves for fixed index annuities would decrease by $26.1 million. A decrease in lapse rates of 10% would increase our reserves for fixed index annuities by $27.2 million.

Liability for Lifetime Income Benefit Riders

The liability for lifetime income benefit riders is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values recognizing the excess over the expected lives of the underlying policies based on the actual and present value of expected assessments including investment spreads, product charges and fees. The inputs used in the calculation of the liability for lifetime income benefit riders include actual policy values, actual income account values, actual payout factors, actual roll-up rates and our best estimate assumptions for future policy growth, expected utilization of lifetime income benefit riders, which includes the ages at which policyholders are expected to elect to begin to receive lifetime income benefit payments and the percentage of policyholders who elect to receive lifetime income benefit payments, the type of income benefit payments selected upon election and future assumptions for lapse, partial withdrawal and mortality rates. The assumptions are reviewed quarterly and updates to the assumptions are made based on historical results and our best estimates of future experience. The liability for lifetime income benefit riders is included in policy benefit reserves in the consolidated balance sheets and the change in the liability is included in interest sensitive and index product benefits in the consolidated statements of operations. See **Results of Operations for the Three Years Ended December 31, 2021** in this Item 7 for a discussion and presentation of the effects of assumption revisions.

The most sensitive assumptions in the calculation of the liability for lifetime income benefit riders are 1) the expected cost of annual call options we will purchase in the future, 2) the percentage of policyholders who elect to receive lifetime income benefit payments, 3) our best estimate for future policy decrements specific to lapse rates and 4) the net investment earned rate.

We utilize the expected cost of annual call options we will purchase in the future to project policy values and to discount future cash flows. In addition, it is a key component in the calculation of expected assessments in the projection period. As of December 31, 2021, we utilized an estimate of 2.10% for the long-term expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of the cost of our actual call options. If the expected cost of annual call options and fixed crediting rates were to increase by 25 basis points, our liability for lifetime income benefit riders would decrease by $141.1 million. A decrease of 25 basis points in the expected cost of annual call options and fixed crediting rates would decrease our liability for lifetime income benefit riders by $73.9 million.

Our assumptions related to the percentage of policyholders who elect to receive lifetime income benefit payments is based on actual experience and our outlook as to future expectations for utilization rates. If the ultimate floor assumption on the percentage of policyholders who elect to receive lifetime income benefit payments was increased by 10% at December 31, 2021, our liability for lifetime income benefit riders would increase by $152.0 million. A decrease by 10% in the ultimate floor assumption on the percentage of policyholders who elect to receive lifetime income benefit payments would decrease our liability for lifetime income benefit riders by $113.0 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our liability for lifetime income benefit riders would decrease by $24 million. A decrease in lapse rates of 10% would increase our liability for lifetime income benefit riders by $23.4 million.

The net investment earned rate is a key component in the calculation of expected assessments in the projection period. The net investment earned rate is based on current yields being earned in our invested assets portfolio, future expectations for earned yields and the expected mean reversion period. If the net investment earned rate were to increase 10 basis points, our liability for lifetime income benefit riders would decrease by $27.8 million. A decrease in the net investment earned rate of 10 basis points would increase our liability for lifetime income benefit riders by $28.6 million.

Deferred Policy Acquisition Costs and Deferred Sales Inducements

Costs relating to the successful production of new business are not expensed when incurred but instead are capitalized as deferred policy acquisition costs or deferred sales inducements. Only costs which are expected to be recovered from future policy revenues and gross profits may be deferred.

Deferred policy acquisition costs and deferred sales inducements are subject to loss recognition testing on a quarterly basis or when an event occurs that may warrant loss recognition. Deferred policy acquisition costs consist principally of commissions and certain costs of policy issuance. Deferred sales inducements consist of premium and interest bonuses credited to policyholder account balances.

For annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include the the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; and to a lesser extent, product charges and fees net of expected excess payments for lifetime income benefit riders and certain policy expenses. Actual and expected gross profits for fixed index annuities also include the impact of amounts recorded for the change in fair value of derivatives and the change in fair value of embedded derivatives. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments and credit losses recognized in operations) to be realized from a group of products are updated. Our estimates of future gross profits are based on actuarial assumptions related to the underlying policies terms, lives of the policies, yield on investments supporting the liabilities and level of expenses necessary to maintain the polices over their entire lives. Revisions are made based on historical results and our best estimates of future experience. See **Results of Operations for the Three Years Ended December 31, 2021** in this Item 7 for a discussion and presentation of the effects of assumption revisions.

The most sensitive assumptions used to calculate amortization of deferred policy acquisition costs and deferred sales inducements are 1) the net investment earned rate, 2) our best estimate for future policy decrements specific to lapse rates and 3) the expected cost of annual call options we will purchase in the future.

The net investment earned rate is a key component in the calculation of estimated gross profits. The net investment earned rate is based on current yields being earned in our invested assets portfolio, future expectations for earned yields and the expected mean reversion period. If the net investment earned rate were to increase 10 basis points, our combined balance for deferred policy acquisition costs and deferred sales inducements at December 31, 2021 would increase by $101.5 million. A decrease in the net investment earned rate of 10 basis points would decrease our combined balance for deferred policy acquisition costs and deferred sales inducements at December 31, 2021 by $104.7 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our combined balance of deferred policy acquisition costs and deferred sales inducements would decrease by $83.9 million. A decrease in lapse rates of 10% would increase our combined balance of deferred policy acquisition costs and deferred sales inducements by $87.4 million.

We utilize the expected cost of annual call options we will purchase in the future to project policy values and to discount future cash flows. In addition, it is a key component in the calculation of expected gross profits in the projection period. As of December 31, 2021, we utilized an estimate of 2.10% for the expected long-term cost of annual call options, which is based on estimated long-term account value growth and a historical review of the cost of our actual call options. If the expected cost of annual call options and fixed crediting rates were to increase by 25 basis points, our combined balance of deferred policy acquisition costs and deferred sales inducements would decrease by $60.4 million. A decrease of 25 basis points in the expected cost of annual call options and fixed crediting rates would decrease our combined balance of deferred policy acquisition costs and deferred sales inducements by $45.1 million.

Deferred Income Taxes

We account for income taxes using the liability method. This method provides for the tax effects of transactions reported in the audited consolidated financial statements for both taxes currently due and deferred. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. A temporary difference is a transaction, or amount of a transaction, that is recognized currently for financial reporting purposes but will not be recognized for tax purposes until a future tax period, or is recognized currently for tax purposes but will not be recognized for financial reporting purposes until a future reporting period. Deferred income taxes are measured by applying enacted tax rates for the years in which the temporary differences are expected to be recovered or settled to the amount of each temporary difference.

The realization of deferred income tax assets is primarily based upon management's estimates of future taxable income. Valuation allowances are established when management estimates, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- future taxable income of the necessary character exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable capital income in prior carryback years; and
- tax planning strategies.

Actual realization of deferred income tax assets and liabilities may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances.

The realization of deferred income tax assets related to unrealized losses on our available for sale fixed maturity securities is also based upon our intent to hold these securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss.

New Accounting Pronouncements

See *Note 1 - Significant Accounting Policies* to our audited consolidated financial statements in this Form 10-K beginning on page F-12, which is incorporated by reference in this Item 7, for new accounting pronouncement disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist substantially of investment grade fixed maturity securities, (ii) have projected returns which satisfy our spread targets, and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features, including lifetime income benefit riders, to encourage persistency.

We seek to maximize the total return on our fixed maturity securities through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates, (ii) changes in relative values of individual securities and asset sectors, (iii) changes in prepayment risks, (iv) changes in credit quality outlook for certain securities, (v) liquidity needs, and (vi) other factors.

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the fair value of our investments. The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (caps, participation rates or asset fee rates for fixed index annuities) on substantially all of our annuity liabilities at least annually (subject to minimum guaranteed values). Substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. In addition, a significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities were issued with a lifetime income benefit rider which we believe improves the persistency of such annuity products. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates. When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities.

If interest rates were to increase 10% (19 basis points) from levels at December 31, 2021, we estimate that the fair value of our fixed maturity securities would decrease by approximately $791.4 million. The impact on stockholders' equity of such decrease (net of income taxes and certain adjustments for changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves) would be a decrease of $336.5 million in accumulated other comprehensive income and a decrease in stockholders' equity. The models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time. However, any such decreases in the fair value of our fixed maturity securities (unless related to credit concerns of the issuer requiring recognition of a credit loss) would generally be realized only if we were required to sell such securities at losses prior to their maturity to meet our liquidity needs, which we manage using the surrender and withdrawal provisions of our annuity contracts and through other means. See Financial Condition—Liquidity for Insurance Operations for a further discussion of the liquidity risk.

The amortized cost of fixed maturity securities that are callable at the option of the issuer, excluding securities with a make-whole provision, was $2.6 billion as of December 31, 2021. During the years ended December 31, 2021 and 2020, we received $2.3 billion and $1.6 billion, respectively, in net redemption proceeds related to the exercise of such call options. We have reinvestment risk related to these redemptions to the extent we cannot reinvest the net proceeds in assets with credit quality and yield characteristics similar to the redeemed bonds. Such reinvestment risk typically occurs in a declining rate environment. In addition, we have $3.8 billion of floating rate fixed maturity securities as of December 31, 2021. Generally, interest rates on these floating rate fixed maturity securities are based on the 3 month LIBOR rate and are reset quarterly. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of interest credited on annuity liabilities, we have the ability to reduce crediting rates (caps, participation rates or asset fees for fixed index annuities) on most of our annuity liabilities to maintain the spread at our targeted level. At December 31, 2021, approximately 92% of our annuity liabilities were subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates specified in the policies. At December 31, 2021, approximately 18% of our annuity liabilities were at minimum guaranteed crediting rates.

We purchase call options on the applicable indices to fund the annual index credits on our fixed index annuities. These options are primarily one-year instruments purchased to match the funding requirements of the underlying policies. Fair value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for fixed index products. The difference between proceeds received at expiration of these options and index credits, as shown in the following table, is primarily due to under or over-hedging as a result of policyholder behavior being different than our expectations.

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Proceeds received at expiration of options related to such credits	$ 2,019,477	$ 758,604	$ 605,005
Annual index credits to policyholders on their anniversaries	1,977,888	747,489	587,818

On the anniversary dates of the index policies, we purchase new one-year call options to fund the next annual index credits. The risk associated with these prospective purchases is the uncertainty of the cost, which will determine whether we are able to earn our spread on our fixed index business. We manage this risk through the terms of our fixed index annuities, which permit us to change caps, participation rates and asset fees, subject to contractual features. By modifying caps, participation rates or asset fees, we can limit option costs to budgeted amounts, except in cases where the contractual features would prevent further modifications. Based upon actuarial testing which we conduct as a part of the design of our fixed index products and on an ongoing basis, we believe the risk that contractual features would prevent us from controlling option costs is not material.

Item 8. Consolidated Financial Statements and Supplementary Data

The audited consolidated financial statements are included as a part of this report on Form 10-K on pages F-1 through F-58.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

In accordance with the Securities Exchange Act Rules 13a-15(e) and 15d-15(e), our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2021 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

(b) Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 based upon criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management has determined that we maintained effective internal control over financial reporting as of December 31, 2021.

The Company's independent registered public accounting firm, Ernst & Young LLP, who audited the consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of management's internal control over financial reporting as of December 31, 2021. This report appears on page F-2 of this annual report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Michelle M. Keeley resigned from the American Equity Investment Life Holding Company Board of Directors on February 23, 2020.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

The information required by Part III is incorporated by reference from our definitive proxy statement for our annual meeting of shareholders to be held June 10, 2022 to be filed with the Commission pursuant to Regulation 14A within 120 days after December 31, 2021.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements and *Financial Statement Schedules*. See Index to Consolidated Financial Statements and Schedules on page F-1 for a list of financial statements and financial statement schedules included in this report.

All other schedules to the audited consolidated financial statements required by Article 7 of Regulation S-X are omitted because they are not applicable, not required, or because the information is included elsewhere in the audited consolidated financial statements or notes thereto.

Exhibit Index

Note Regarding Reliance on Statements in Our Contracts and Other Exhibits: We include agreements and other exhibits to this Annual Report on Form 10-K, to provide information regarding their terms and not to provide any other factual or disclosure information about us, our subsidiaries or affiliates, or the other parties to the agreements, or for any other purpose. The agreements and other exhibits contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement or other arrangement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have in many cases been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or other exhibit, or such other date or dates as may be specified in the document and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit No.	Description
3.1	Articles of Incorporation, including Articles of Amendment (Incorporated by reference to Exhibit 3.1 to Post-Effective Amendment No. 1 to the Registration Statement on Form 10, filed on July 22, 1999, File No. 000-25985)
3.2	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to Form 10-Q for the period ended June 30, 2000 filed on August 14, 2000, File No. 000-25985)
3.3	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed on October 20, 2003, File No. 333-108794)
3.4	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-3 filed on January 15, 2008, File No. 333-148681)
3.5	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.5 to Form 10-Q for the period ended June 30, 2011 filed on August 5, 2011, File No. 001-31911)
3.6	Third Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 to Form 8-K filed on September 2, 2008, File No. 001-31911)
3.7	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Form 8-A12B filed on November 20, 2019, File No. 001-31911)
3.8	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.7 to Form 8-A12B filed on June 16, 2020, File No. 001-31911)
4.1	Indenture dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.2	Trust Preferred Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.3	Trust Common Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and West Des Moines State Bank, as trustee (Incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.4	Instruments of Resignation, Appointment and Acceptance, effective September 12, 2006, among American Equity Investment Life Holding Company, Wilmington Trust Company, West Des Moines State Bank and Delaware Trust Company, National Association (formerly known as First Union Trust Company, National Association) (Incorporated by reference to Exhibit 4.10A to Form 10-K for the year ended December 31, 2008 filed on March 16, 2009)
4.5	Senior Amended and Restated Indenture, dated as of April 22, 2004, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to Amendment No.1 to Form S-3 filed on April 22, 2004).
4.6	Third Supplemental Indenture, dated as of June 16, 2017, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to Form 8-K filed on June 16, 2017)
4.7	Deposit Agreement, dated November 21, 2019, among American Equity Investment Life Holding Company, Computershare Inc. and Computershare Trust Company, N.A., jointly, as depositary, Computershare Inc., as registrar and transfer agent, and the holders from time to time of the depositary receipts (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 21, 2019)
4.8	Form of Depository Receipt (included in Exhibit 4.7)
4.9	Deposit Agreement, dated as of June 17, 2020, among the Company, Computershare Inc. and Computershare Trust Company, N.A., jointly as Depositary, the other parties thereto and the holders from time to time of depositary receipts issued thereunder (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on June 17, 2020)
4.10	Form of Depository Receipt (included in Exhibit 4.9)
4.11	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1 *	American Equity Investment Life Holding Company 2011 Director Stock Option Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 25, 2011)

Exhibit No.	Description
10.2 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and each of Anant Bhalla, Ronald J. Grensteiner, and Jeffrey D. Lorenzen (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 14, 2012)
10.3 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and Scott A. Samuelson (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended June 30, 2013 filed on August 8, 2013)
10.4 *	American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 18, 2016)
10.5 *	First Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 99.2 to Form S-8 filed on September 8, 2016)
10.6 *	American Equity Marketing Officers Deferred Compensation Agreement, dated as of January 1, 1998, between American Equity Investment Life Insurance Company and Ronald J. Grensteiner (Incorporated by reference to Exhibit 10.27 to Form 10-K for the year ended December 31, 2017 filed on February 23, 2018)
10.7 *	Second Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended March 31, 2019 filed on May 8, 2019)
10.8 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2019 filed on February 25, 2020)
10.9 *	Offer Letter dated January 2, 2020 by and between American Equity Investment Life Holding Company and Anant Bhalla (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 9, 2020)
10.10 *	Retirement and Transition Agreement dated February 28, 2020 by and between American Equity Investment Life Holding Company and John M. Matovina (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 2, 2020)
10.11 *	American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 24, 2020)
10.12 *	Form of Director Restricted Stock Award Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 4, 2020)
10.13 *	Form of Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.14 *	Form of Performance Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.15 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.16	Investment Agreement, dated as of October 17, 2020, by and among American Equity Investment Life Holding Company, Brookfield Asset Management Inc. and Burgundy Acquisitions I Ltd. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 19, 2020)
10.17 *	Form of Employee Stock Option Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on November 25, 2020)
10.18 *	American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.32 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.19 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.20 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.34 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.21 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and James L. Hamalainen, Phyllis Zanghi and Axel Andre (Incorporated by reference to Exhibit 10.35 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.22 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.36 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.23	Assignment Agreement, Consent and Waiver in Anticipation of Regulatory Form A Filing dated February 28, 2021 by and among Brookfield Asset Management, Inc., Burgundy Acquisitions I Ltd., Brookfield Asset Management Reinsurance Partners Ltd., North End Re (Cayman) SPC and American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.37 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.24 *	Separation Agreement dated April 1, 2021 between American Equity Investment Life Insurance Company and Renee D. Montz (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended March 31, 2021 filed on May 10, 2021)
10.25 *	Form of Employee Restricted Stock Unit Award Agreement - Performance Based Award, effective April 2021 (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended March 31, 2021 filed on May 10, 2021)
10.26	Amendment to Investment Agreement, dated June 10, 2021, by and among American Equity Investment Life Holding Company, Brookfield Asset Management, Inc., Brookfield Asset Management Reinsurance Partners Ltd. and North End Re (Cayman) SPC (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 10, 2021)
10.27 *	Separation Agreement dated May 26, 2021 between American Equity Investment Life Insurance Company and Ted M. Johnson, effective June 20, 2021 (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended June 30, 2021 filed on August 9, 2021)
10.28 *	Offer Letter Agreement dated August 25, 2021 between American Equity Investment Life Insurance Company and Axel Andre (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.29 *	Retention Agreement between American Equity Investment Life Insurance Company and Scott Samuelson dated as of September 30, 2021 (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.30 *	American Equity Transition Benefit Plan, dated as of August 6, 2021 (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.31 *	Form of Separation Agreement under American Equity Transition Benefit Plan, effective August 6, 2021 (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)

Exhibit No.	Description
10.32 *	Excerpts From American Equity Investment Life Holding Company Board of Directors Action by Written Consent Regarding John Matovina Restricted Stock, dated October 25, 2021 (Incorporated by reference to Exhibit 10.5 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.33 *	Offer Letter Agreement dated November 3, 2021 between American Equity Investment Life Insurance Company and Dewayne Lummus
21.2	Subsidiaries of American Equity Investment Life Holding Company
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2021 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements, (vii) Schedule I - Summary of Investments - Other Than Investments in Related Parties, (viii) Schedule II — Condensed Financial Information of Registrant, (ix) Schedule III - Supplementary Insurance Information and (x) Schedule IV — Reinsurance.
104	The cover page from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2021 formatted in iXBRL and contained in Exhibit 101.

* Denotes management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 1st day of March 2022.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ ANANT BHALLA

Anant Bhalla,
Chief Executive Officer & President

Pursuant to the requirements of the Securities Exchange Act of 1934, this registration statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title (Capacity)	Date
/s/ ANANT BHALLA Anant Bhalla	Chief Executive Officer, President and Director (Principal Executive Officer)	March 1, 2022
/s/ AXEL ANDRE Axel Andre	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2022
/s/ DEWAYNE LUMMUS Dewayne Lummus	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2022
/s/ DAVID S. MULCAHY David S. Mulcahy	Non-Executive Chairman and Director	March 1, 2022
/s/ JOYCE A. CHAPMAN Joyce A. Chapman	Director	March 1, 2022
/s/ BRENDA J. CUSHING Brenda J. Cushing	Director	March 1, 2022
/s/ JAMES M. GERLACH James M. Gerlach	Director	March 1, 2022
/s/ DOUGLAS T. HEALY Douglas T. Healy	Director	March 1, 2022
/s/ ROBERT L. HOWE Robert L. Howe	Director	March 1, 2022
/s/ WILLIAM R. KUNKEL William R. Kunkel	Director	March 1, 2022
/s/ ALAN D. MATULA Alan D. Matula	Director	March 1, 2022
/s/ GERARD D. NEUGENT Gerard D. Neugent	Director	March 1, 2022
/s/ SACHIN SHAH Sachin Shah	Director	March 1, 2022
/s/ A.J. STRICKLAND, III A.J. Strickland, III	Director	March 1, 2022

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on Internal Control over Financial Reporting

We have audited American Equity Investment Life Holding Company and subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, American Equity Investment Life Holding Company and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company, as of December 31, 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the year ended December 31, 2021, and the related notes and financial statement schedules I to IV, and our report dated March 1, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 1, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of American Equity Investment Life Holding Company and subsidiaries (the Company) as of December 31, 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the year ended December 31, 2021, and the related notes and financial statement schedules I to IV (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Deferred Policy Acquisition Costs (DAC), Deferred Sales Inducements (DSI) and liability for Lifetime Income Benefit Rider (LIBR)
Description of the Matter	At December 31, 2021 DAC, DSI, and LIBR balances were \$2.2 billion, \$1.5 billion, and \$2.9 billion, respectively. As discussed in Note 1 to the consolidated financial statements, DAC and DSI are amortized over the lives of the policies in relation to the emergence of actual gross profits (AGPs) and estimated gross profits (EGPs). The LIBR is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values, and the excess is recognized over the expected lives of the underlying policies based on the actual and present value of expected assessments. The expected assessments are calculated using the same assumptions used to determine DAC and DSI EGPs, including investment spreads, product charges, and fees. There is significant uncertainty inherent in calculating EGPs and expected assessments, as the calculation is sensitive to management's best estimate of assumptions such as investment earned rate, the expected cost of annual call options, lapse, mortality, LIBR reset and LIBR utilization. Management's assumptions are adjusted, also known as unlocking, based on actual policyholder behavior and market experience and projecting for expected trends. The unlocking results in amortization being recalculated using the new assumptions for estimated gross profits, resulting either in additional or less cumulative amortization expense. Additionally, the LIBR is adjusted in a similar manner to unlocking of DAC and DSI to reflect the changes in management's assumptions. Auditing the valuation of the Company's DAC, DSI and LIBR was complex because of the highly judgmental nature of the methods and determination of the assumptions applied to determine the EGPs and expected assessments. The high degree of judgment was primarily due to the sensitivity of the EGPs and expected assessments to the methods and assumptions applied which have a significant effect on the valuation of DAC, DSI, and LIBR.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over management's process for the development of the significant assumptions used in calculating the DAC and DSI EGPs, and assessments used in the valuation of LIBR. These controls included, among others, the review and approval process management has in place for the development of the significant assumptions described above. To evaluate the judgment used by management in determining the EGPs and expected assessments, among other procedures, we involved actuarial specialists and evaluated the methodology applied by management in determining the EGPs and expected assessments with those used in prior periods and the industry. To evaluate the significant assumptions used by management, we compared policyholder behavior assumptions that we identified as being higher risk to prior actual experience, observable market data or management's estimates of prospective changes in these assumptions. We tested management's recalculation of EGPs and performed independent recalculations of LIBR for a sample of policies, which we compared to the actuarial model used by management.
	Fixed Index Annuity Embedded Derivative Liability
Description of the Matter	As of December 31, 2021, the fair value of the Company's fixed index annuity embedded derivative liability totaled $40.8 billion, net of coinsurance ceded. The Company's fixed index annuity contracts contain crediting features, where amounts credited to the contract's account value are linked to the performance of certain market indices. The index crediting feature is accounted for as an embedded derivative liability and reported at fair value as discussed in Notes 1 and 2 to the consolidated financial statements. Management reviews the assumptions used to determine the fair value of the embedded derivative on a quarterly basis. Auditing the valuation of the Company's fixed index annuity embedded derivative was complex because of the highly judgmental nature of the determination of the assumptions required to determine the fair value of the embedded derivative. In particular, the fair value was sensitive to the significant assumptions used to determine future policy growth including lapse, mortality, LIBR reset, LIBR utilization, and the expected cost of annual call options.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over management's process for the development of the significant assumptions used in measuring the fair value of the embedded derivative for fixed index annuities. These controls included, among others, the review and approval process management has in place for the development of the significant assumptions. To evaluate the judgment used by management in determining the assumptions used in measuring the fair value of the fixed index annuity embedded derivative, among other procedures, we involved actuarial specialists and evaluated the methodology applied by management in determining the fair value with those used in the prior period and in the industry. To evaluate the significant assumptions used by management in the methodology applied, we compared policyholder behavior assumptions to prior actual experience and management's estimate of prospective changes in the assumptions. In addition, we compared the expected cost of annual call options to actual and historical cost of annual call options. We performed an independent recalculation of the embedded derivative for a sample of policies for comparison with the actuarial model used by management.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

Des Moines, Iowa
March 1, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
American Equity Investment Life Holding Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of American Equity Investment Life Holding Company and subsidiaries (the Company) as of December 31, 2020, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (and financial statement schedules I to IV) (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit*s* in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit*s* included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit*s* provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2005 to 2020.

Des Moines, Iowa
March 1, 2021

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	December 31,	
	2021	**2020**
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of $46,999,183 as of 2021 and $42,304,736 as of 2020; allowance for credit losses of $2,846 as of 2021 and $64,771 as of 2020)	$ 51,305,943	$ 47,538,893
Mortgage loans on real estate (net of allowance for credit losses of $24,024 as of 2021 and $31,029 as of 2020)	5,687,998	4,165,489
Real estate investments related to consolidated variable interest entities	337,939	—
Derivative instruments	1,277,480	1,310,954
Other investments (2021 includes $168,711 related to consolidated variable interest entities)	1,767,144	590,078
Total investments	60,376,504	53,605,414
Cash and cash equivalents (2021 includes $23,763 related to consolidated variable interest entities)	4,508,982	9,095,522
Coinsurance deposits (net of allowance for credit losses of $2,264 as of 2021 and $1,888 as of 2020)	8,850,608	4,844,927
Accrued investment income (2021 includes $3 related to consolidated variable interest entities)	445,097	398,082
Deferred policy acquisition costs	2,222,769	2,225,199
Deferred sales inducements	1,546,073	1,448,375
Income taxes recoverable	166,586	862
Other assets (2021 includes $1,524 related to consolidated variable interest entities)	232,490	70,198
Total assets	$ 78,349,109	$ 71,688,579
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	$ 65,477,778	$ 62,352,882
Other policy funds and contract claims	226,844	240,904
Notes payable	496,250	495,668
Subordinated debentures	78,421	78,112
Deferred income taxes	541,972	504,000
Funds withheld for reinsurance liabilities	3,124,740	—
Other liabilities (2021 includes $20,168 related to consolidated variable interest entities)	2,079,977	1,668,025
Total liabilities	72,025,982	65,339,591
Stockholders' equity:		
Preferred stock, Series A; par value $1 per share; $400,000 aggregate liquidation preference; 20,000 shares authorized; issued and outstanding: 2021 - 16,000 shares; 2020 - 16,000 shares	16	16
Preferred stock, Series B; par value $1 per share; $300,000 aggregate liquidation preference; 12,000 shares authorized; issued and outstanding: 2021 - 12,000 shares; 2020 - 12,000 shares	12	12
Common stock; par value $1 per share; 200,000,000 shares authorized; issued and outstanding: 2021 - 92,513,517 shares (excluding 9,936,715 treasury shares); 2020 - 95,720,622 shares (excluding 6,516,525 treasury shares)	92,514	95,721
Additional paid-in capital	1,614,374	1,681,127
Accumulated other comprehensive income	1,848,789	2,203,557
Retained earnings	2,767,422	2,368,555
Total stockholders' equity	6,323,127	6,348,988
Total liabilities and stockholders' equity	$ 78,349,109	$ 71,688,579

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

	Year Ended December 31,		
	2021	**2020**	**2019**
Revenues:			
Premiums and other considerations	$ 58,202	$ 39,382	$ 23,534
Annuity product charges	242,631	251,227	240,035
Net investment income	2,037,475	2,182,078	2,307,635
Change in fair value of derivatives	1,348,735	34,666	906,906
Net realized gains (losses) on investments	(13,242)	(80,680)	6,962
Other than temporary impairment (OTTI) losses on investments:			
Total OTTI losses	—	—	(18,511)
Portion of OTTI losses recognized from other comprehensive income	—	—	(215)
Net OTTI losses recognized in operations	—	—	(18,726)
Other revenue	15,670	—	—
Loss on extinguishment of debt	—	(2,024)	(2,001)
Total revenues	3,689,471	2,424,649	3,464,345
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits	67,983	49,742	35,418
Interest sensitive and index product benefits	2,681,406	1,543,270	1,287,576
Amortization of deferred sales inducements	152,692	438,164	88,585
Change in fair value of embedded derivatives	(358,302)	(1,286,787)	1,454,042
Interest expense on notes payable	25,581	25,552	25,525
Interest expense on subordinated debentures	5,324	5,557	15,764
Amortization of deferred policy acquisition costs	268,328	649,554	87,717
Other operating costs and expenses	243,712	183,636	154,153
Total benefits and expenses	3,086,724	1,608,688	3,148,780
Income before income taxes	602,747	815,961	315,565
Income tax expense	128,755	144,501	69,475
Net income	473,992	671,460	246,090
Less: Preferred stock dividends	43,675	33,515	—
Net income available to common stockholders	$ 430,317	$ 637,945	$ 246,090
Earnings per common share	$ 4.58	$ 6.93	$ 2.70
Earnings per common share - assuming dilution	$ 4.55	$ 6.90	$ 2.68
Weighted average common shares outstanding (in thousands):			
Earnings per common share	93,860	92,055	91,139
Earnings per common share - assuming dilution	94,491	92,392	91,782

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Net income	$ 473,992	$ 671,460	$ 246,090
Other comprehensive income (loss):			
Change in net unrealized investment gains/losses (1)	(441,008)	1,058,289	1,765,107
Noncredit component of OTTI losses (1)	—	—	103
Reclassification of unrealized investment gains/losses to net income (1)	(4,044)	16,690	8,323
Other comprehensive income (loss) before income tax	(445,052)	1,074,979	1,773,533
Income tax effect related to other comprehensive income (loss)	90,284	(225,746)	(372,472)
Other comprehensive income (loss)	(354,768)	849,233	1,401,061
Comprehensive income	$ 119,224	$ 1,520,693	$ 1,647,151

(1) Net of related adjustments to amortization of deferred sales inducements, deferred policy acquisition costs and policy benefit reserves.

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2018	$ —	$ 90,369	$ 811,186	$ (46,737)	$ 1,549,978	$ 2,404,796
Net income for the year	—	—	—	—	246,090	246,090
Other comprehensive income	—	—	—	1,401,061	—	1,401,061
Issuance of preferred stock	16	—	388,877	—	—	388,893
Share-based compensation	—	—	11,295	—	—	11,295
Issuance of common stock	—	738	953	—	—	1,691
Dividends on common stock ($0.30 per share)	—	—	—	—	(27,304)	(27,304)
Balance at December 31, 2019	16	91,107	1,212,311	1,354,324	1,768,764	4,426,522
Net income for the year	—	—	—	—	671,460	671,460
Other comprehensive income	—	—	—	849,233	—	849,233
Issuance of preferred stock	12	—	290,248	—	—	290,260
Share-based compensation	—	—	10,215	—	—	10,215
Issuance of common stock	—	10,053	328,008	—	—	338,061
Treasury stock acquired, common	—	(5,439)	(159,655)	—	—	(165,094)
Cumulative effect of change in accounting principle	—	—	—	—	(9,295)	(9,295)
Dividends on preferred stock	—	—	—	—	(33,515)	(33,515)
Dividends on common stock ($0.32 per share)	—	—	—	—	(28,859)	(28,859)
Balance at December 31, 2020	28	95,721	1,681,127	2,203,557	2,368,555	6,348,988
Net income for the year	—	—	—	—	473,992	473,992
Other comprehensive loss	—	—	—	(354,768)	—	(354,768)
Share-based compensation	—	—	24,601	—	—	24,601
Issuance of common stock	—	460	4,394	—	—	4,854
Treasury stock acquired, common	—	(3,667)	(95,748)	—	—	(99,415)
Dividends on preferred stock	—	—	—	—	(43,675)	(43,675)
Dividends on common stock ($0.34 per share)	—	—	—	—	(31,450)	(31,450)
Balance at December 31, 2021	$ 28	$ 92,514	$ 1,614,374	$ 1,848,789	$ 2,767,422	$ 6,323,127

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended December 31,		
	2021	**2020**	**2019**
Operating activities			
Net income	$ 473,992	$ 671,460	$ 246,090
Adjustments to reconcile net income to net cash provided by operating activities:			
Interest sensitive and index product benefits	2,681,406	1,543,270	1,287,576
Amortization of deferred sales inducements	152,692	438,164	88,585
Annuity product charges	(242,631)	(251,227)	(240,035)
Change in fair value of embedded derivatives	(358,302)	(1,286,787)	1,454,042
Change in traditional life and accident and health insurance reserves	40,090	8,694	(3,546)
Policy acquisition costs deferred	(307,857)	(255,154)	(422,516)
Amortization of deferred policy acquisition costs	268,328	649,554	87,717
Provision for depreciation and other amortization	5,527	5,199	4,068
Amortization of discounts and premiums on investments	19,861	57,437	25,846
Loss on extinguishment of debt	—	2,024	2,001
Realized gains/losses on investments	13,242	80,680	11,764
Change in fair value of derivatives	(1,348,704)	(34,668)	(906,201)
Distributions from equity method investments	12,409	1,968	2,753
Deferred income taxes	128,423	141,071	56,947
Share-based compensation	24,601	10,215	11,295
Change in accrued investment income	(47,015)	74,744	(4,097)
Change in income taxes recoverable/payable	(165,724)	(1,291)	26,966
Change in other assets	(4,464)	(849)	(5,607)
Change in other policy funds and contract claims	(19,809)	(21,865)	(21,971)
Change in collateral held for derivatives	17,423	(72,413)	1,190,656
Change in collateral held for securities lending	—	(495,039)	495,101
Change in funds withheld from reinsurers	3,124,740	—	—
Change in other liabilities	(221,726)	38,995	(28,607)
Other	(13,338)	804	(7,425)
Net cash provided by operating activities	4,233,164	1,304,986	3,351,402
Investing activities			
Sales, maturities, or repayments of investments:			
Fixed maturity securities - available for sale	4,490,736	8,291,316	3,266,821
Mortgage loans on real estate	862,666	378,812	294,356
Derivative instruments	2,260,959	860,520	657,885
Other investments	368,837	4,324	472,549
Acquisitions of investments:			
Fixed maturity securities - available for sale	(9,206,733)	(2,429,114)	(5,509,314)
Mortgage loans on real estate	(2,386,712)	(1,121,756)	(799,037)
Real estate investments acquired	(335,767)	—	—
Derivative instruments	(748,061)	(730,333)	(823,077)
Other investments	(1,512,123)	(105,925)	(611,047)
Purchases of property, furniture and equipment	(18,109)	(13,240)	(4,022)
Net cash provided by (used in) investing activities	(6,224,307)	5,134,604	(3,054,886)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)

	Year Ended December 31,		
	2021	**2020**	**2019**
Financing activities			
Receipts credited to annuity policyholder account balances	$ 5,910,024	$ 3,648,936	$ 4,951,211
Coinsurance deposits	(3,187,332)	430,644	91,238
Return of annuity policyholder account balances	(5,145,193)	(4,040,054)	(3,584,960)
Repayment of subordinated debentures	—	(81,450)	(88,160)
Net proceeds from (repayments of) amounts due under repurchase agreements	—	—	(109,298)
Proceeds from issuance of common stock, net	4,854	338,061	1,691
Acquisition of treasury stock	(99,415)	(165,094)	—
Proceeds from issuance of preferred stock, net	—	290,260	388,893
Change in checks in excess of cash balance	(3,210)	3,611	29,169
Dividends paid on common stock	(31,450)	(28,859)	(27,304)
Dividends paid on preferred stock	(43,675)	(33,515)	—
Net cash provided by (used in) financing activities	(2,595,397)	362,540	1,652,480
Increase (decrease) in cash and cash equivalents	(4,586,540)	6,802,130	1,948,996
Cash and cash equivalents at beginning of year	9,095,522	2,293,392	344,396
Cash and cash equivalents at end of year	$ 4,508,982	$ 9,095,522	$ 2,293,392
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest expense	$ 30,000	$ 31,427	$ 42,879
Income taxes	165,537	4,842	28,413
Non-cash operating activity:			
Deferral of sales inducements	95,160	93,610	177,941

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Nature of Operations

American Equity Investment Life Holding Company ("we", "us", "our" or "parent company"), through its wholly-owned subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York") and Eagle Life Insurance Company ("Eagle Life"), is licensed to sell insurance products in 50 states and the District of Columbia at December 31, 2021. We operate solely in the insurance business.

We market fixed index and fixed rate annuities. Annuity deposits (net of coinsurance) collected in 2021, 2020 and 2019, by product type were as follows:

	Year Ended December 31,		
Product Type	**2021**	**2020**	**2019**
		(Dollars in thousands)	
Fixed index annuities	$ 3,026,211	$ 2,309,580	$ 4,603,490
Annual reset fixed rate annuities	6,000	7,846	10,665
Multi-year fixed rate annuities	2,452,994	1,295,843	47,016
Single premium immediate annuities (SPIA)	59,816	33,461	12,002
	$ 5,545,021	$ 3,646,730	$ 4,673,173

Agents contracted with us through two national marketing organizations accounted for more than 10% of annuity deposits we collected during 2021 representing 14% and 11%, individually, of the annuity deposits collected. Agents contracted with us through two national marketing organization accounted for more than 10% of annuity deposits we collected during 2020 representing 17% and 10%, individually, of the annuity deposits collected. Agents contracted with us through two national marketing organization accounted for more than 10% of annuity deposits we collected during 2019 representing 24% and 14%, individually, of the annuity deposits collected.

Consolidation and Basis of Presentation

The consolidated financial statements include our accounts and our wholly-owned subsidiaries: American Equity Life, American Equity Life of New York, Eagle Life, AERL, L.C., AE Capital, LLC., American Equity Investment Properties, L.C., High Trestle Investment Management, LLC., AEL RE Vermont, Inc., AEL Re Bermuda, Ltd, and NC Securities Holdco, LLC. All significant intercompany accounts and transactions have been eliminated.

In addition, our consolidated financial statements include variable interest entities (VIEs) in which we are the primary beneficiary. We have relationships with various special purpose entities and other legal entities that must be evaluated to determine if the entities meet the criteria of a VIE. This assessment is performed by reviewing contractual, ownership and other rights and requires use of judgment. First, we determine if we hold a variable interest in an entity by assessing if we have the right to receive expected losses and expected residual returns of the entity. If we hold a variable interest, then the entity is assessed to determine if it is a VIE. An entity is a VIE if the equity at risk is not sufficient to support its activities, if the equity holders lack a controlling financial interest or if the entity is structured with non-substantive voting rights. In addition to the previous criteria, if the entity is a limited partnership or similar entity, it is a VIE if the limited partners do not have the power to direct the entity's most significant activities through substantive kick-out rights or participating rights. A VIE is evaluated to determine the primary beneficiary. The primary beneficiary of a VIE is the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. When we are the primary beneficiary, we are required to consolidate the entity in our financial statements. We reassess our involvement with VIEs on a quarterly basis. For further information about VIEs, refer to *Note 6 – Variable Interest Entities*.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are utilized in the calculation of deferred policy acquisition costs, deferred sales inducements, policy benefit reserves, including the liability for lifetime income benefit riders and the fair value of embedded derivatives in fixed index annuity contracts, valuation of derivatives, valuation of investments, allowances for credit losses on available-for-sale fixed maturity securities, allowances for loan losses on mortgage loans and valuation allowances on deferred tax assets. A description of each critical estimate is incorporated within the discussion of the related accounting policies which follow. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized.

Investments

Fixed maturity securities (bonds maturing more than one year after issuance) that may be sold prior to maturity are classified as available for sale. Available for sale securities are reported at fair value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves. Fair values, as reported herein, of fixed maturity securities are based on quoted market prices in active markets when available, or for those fixed maturity securities not actively traded, yield data and other factors relating to instruments or securities with similar characteristics are used. See *Note 3 - Fair Value of Financial Instruments* for more information on the determination of fair value. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives. Amortization/accrual of premiums and discounts on residential and commercial mortgage backed securities incorporate prepayment assumptions to estimate the securities' expected lives. Interest income is recognized as earned.

Beginning in 2020, available-for-sale fixed maturity securities are subject to an allowance for credit loss and changes in the allowance are reported in net income as a component of net realized losses on investments. Prior to 2020, the amortized cost of available-for-sale fixed maturity securities was adjusted for declines in value that were other than temporary and impairments in value deemed to be other than temporary were reported as other than temporary impairment losses on investments. See *Note 4 - Investments* for further discussion of the allowance for credit losses on available-for-sale fixed maturity securities and other than temporary impairment losses.

Mortgage loans on real estate are reported at cost adjusted for amortization of premiums and accrual of discounts and net of valuation allowances. Interest income is recorded when earned; however, interest ceases to accrue for loans on which interest is more than 90 days past due based upon contractual terms and/or when the collection of interest is not considered probable. Interest income on impaired loans is recorded on a cash basis. Any changes in the loan valuation allowances are reported in net realized losses on investments. See *Note 5 - Mortgage Loans on Real Estate* for further discussion of the valuation allowance on the mortgage loan portfolios.

Beginning in 2021, we held residential real estate investments through consolidation of an investment company VIE. As this is an investment company VIE, the residential real estate investments are reported at fair value and the change in fair value on these investments is reported in net income as a component of net investment income. Fair values of residential real estate investments are initially based on the cost to purchase the properties and subsequently based on a discounted cash flow methodology. See *Note 3 – Fair Values of Financial Instruments* for more information on the determination of fair value. The residential real estate investments are leased to renters through operating lease arrangements. Rental income is recognized on a straight-line basis over the term of the respective leases.

Other invested assets include company owned life insurance, equity securities, limited partnerships accounted for using the equity method, short-term debt securities with maturities of greater than three months but less than twelve months when purchased, and short-term loans with maturities less than one year. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the end of the reporting period, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Dividends are recognized when declared.

Realized gains and losses on sales of investments are determined on the basis of specific identification based on the trade date.

Derivative Instruments

Our derivative instruments include call options used to fund fixed index annuity credits. Prior to the redemption of our floating rate subordinated debentures in 2019 and 2020, our derivative instruments also included an interest rate swap and interest rate caps which were used to manage interest rate risk associated with the floating rate component on certain of our subordinated debentures. All of our derivative instruments are recognized in the balance sheet at fair value and changes in fair value are recognized immediately in operations. See *Note 7 - Derivative Instruments* for more information on derivative instruments.

Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Book Overdrafts

Under our cash management system, checks issued but not yet presented to banks frequently result in overdraft balances for accounting purposes and are classified as Other liabilities on our consolidated balance sheets. We report the changes in the amount of the overdraft balance as a financing activity in our consolidated statement of cash flows as Change in checks in excess of cash balance.

Deferred Policy Acquisition Costs and Deferred Sales Inducements

For annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include the the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; and to a lesser extent, product charges and fees net of expected excess payments for lifetime income benefit riders and certain policy expenses. Actual and expected gross profits for fixed index annuities also include the impact of amounts recorded for the change in fair value of derivatives and the change in fair value of embedded derivatives. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments) to be realized from a group of products are revised. Deferred policy acquisition costs and deferred sales inducements are also adjusted for the change in amortization that would have occurred if available for sale fixed maturity securities had been sold at their aggregate fair value at the end of the reporting period and the proceeds reinvested at current yields. The impact of this adjustment is included in accumulated other comprehensive income (loss) within consolidated stockholders' equity, net of applicable taxes. See *Note 8 - Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders* for more information on deferred policy acquisition costs and deferred sales inducements.

Policy Benefit Reserves

Policy benefit reserves for fixed index annuities with returns linked to the performance of a specified market index are equal to the sum of the fair value of the embedded derivatives and the host (or guaranteed) component of the contracts. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. Future policy benefit reserves for fixed index annuities earning a fixed rate of interest and other deferred annuity products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. For the years ended December 31, 2021, 2020 and 2019, interest crediting rates for these products ranged from 1.45% to 2.65%.

The liability for lifetime income benefit riders is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values recognizing the excess over the expected lives of the underlying policies based on the actual and present value of expected assessments including investment spreads, product charges and fees. The inputs used in the calculation of the liability for lifetime income benefit riders include actual policy values, actual income account values, actual payout factors, actual roll-up rates and our best estimate assumptions for future policy growth, expected utilization of lifetime income benefit riders, which includes the ages at which policyholders are expected to elect to begin to receive lifetime income benefit payments and the percentage of policyholders who elect to receive lifetime income benefit payments, the type of income benefit payments selected upon election and future assumptions for lapse, partial withdrawal and mortality rates. See *Note 8 - Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders* for more information on lifetime income benefit rider reserves.

Policy benefit reserves are not reduced for amounts ceded under coinsurance agreements which are reported as coinsurance deposits on our consolidated balance sheets. See *Note 9 - Reinsurance and Policy Provisions* for more information on reinsurance.

Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The effect on deferred income tax assets and liabilities resulting from a change in the enacted marginal tax rate is recognized in income in the period that includes the enactment date. Deferred income tax expenses or benefits are based on the changes in the asset or liability from period to period. Deferred income tax assets are subject to ongoing evaluation of whether such assets will more likely than not be realized. The realization of deferred income tax assets primarily depends on generating future taxable income during the periods in which temporary differences become deductible. Deferred income tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such a determination, all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations, is considered. The realization of deferred income tax assets related to unrealized losses on available-for-sale fixed maturity securities is also based upon our intent and ability to hold those securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss. See *Note 10 - Income Taxes* for more information on deferred income taxes.

Recognition of Premium Revenues and Costs

Revenues for annuity products include surrender and living income benefit rider charges assessed against policyholder account balances during the period. Interest sensitive and index product benefits related to annuity products include interest credited or index credits to policyholder account balances pursuant to accounting by insurance companies for certain long-duration contracts. The change in fair value of the embedded derivatives for fixed index annuities equals the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

Considerations from immediate annuities and supplemental contract annuities with life contingencies are recognized as revenue when the policy is issued.

All insurance-related revenues, including the change in the fair value of derivatives for call options related to the business ceded under coinsurance agreements (see *Note 9 - Reinsurance and Policy Provisions*), benefits, losses and expenses are reported net of reinsurance ceded.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders. Other comprehensive income (loss) excludes net realized investment gains (losses) included in net income which merely represents transfers from unrealized to realized gains and losses.

Reclassifications

Certain amounts in the prior years' consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation.

Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") that significantly changed the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model that requires these assets be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are recorded through an allowance account subsequent to the adoption of this ASU. We adopted this ASU on January 1, 2020. The adoption of this ASU resulted in an increase in our mortgage loan allowance for credit losses of $8.6 million and the recognition of an allowance for credit losses on our reinsurance recoverable/coinsurance deposits balances of $3.2 million on the date of adoption. Retained earnings was decreased by $9.3 million, which reflects the net of tax impact of the increase in the mortgage loan allowance for credit losses and the recognition of an allowance for credit losses on our reinsurance recoverable/coinsurance deposits balances on the date of adoption.

New Accounting Pronouncements

In August 2018, the FASB issued an ASU that revises certain aspects of the measurement models and disclosure requirements for long duration insurance and investment contracts. The FASB's objective in issuing this ASU is to improve, simplify, and enhance the accounting for long-duration contracts. The revisions include updating cash flow assumptions in the calculation of the liability for traditional life products, introducing the term 'market risk benefit' ("MRB") and requiring all contract features meeting the definition of an MRB to be measured at fair value and simplifying the method used to amortize deferred policy acquisition costs and deferred sales inducements to a constant basis over the expected term of the related contracts rather than based on actual and estimated gross profits and enhancing disclosure requirements. While this ASU is effective for us on January 1, 2023, the transition date (the remeasurement date) is January 1, 2021. Early adoption of this ASU is permitted. We are in the process of evaluating the impact this guidance will have on our consolidated financial statements.

2. Revision of Immaterial Misstatement in Prior Year Financial Statements

Management identified an error in the Company's historical financial statements as further described below. In accordance with the guidance set forth in SEC Staff Accounting Bulletin No. 99, Materiality, and SEC Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, management concluded that the error was not material to the consolidated financial statements as presented in the Company's quarterly and annual financial statements that had been previously filed in the Company's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. As a result, amendment of such reports is not required. The Company revised the previously issued annual consolidated financial statements in this Form 10-K to correct this error.

The corrected immaterial error was in the calculation of the impact of unrealized gains and losses on lifetime income benefit reserves as of December 31, 2020 determined in the first quarter of 2021. This immaterial error resulted in an increase in the lifetime income benefit reserves which are included in policy benefit reserves in the consolidated balance sheet, an increase in the deferred policy acquisition costs and deferred sales inducements and a decrease in deferred income taxes with an offsetting change in accumulated other comprehensive income which is a component of total stockholders' equity. The immaterial error had no impact on the consolidated statement of operations or consolidated statement of cash flows.

The effect of the revisions on the Company's previously issued financial statements are provided in the tables below. Amounts throughout the consolidated financial statements and notes thereto have been adjusted to incorporate the revised amounts, where applicable. The following tables reconcile selected lines from the Company's year-end December 31, 2020 consolidated balance sheet and the years ended December 31, 2020 and 2019 consolidated statement of comprehensive income from the previously reported amounts to the revised amounts.

Revised Consolidated Balance Sheet	**Year Ended December 31, 2020**		
	As Reported	**Adjustment**	**As Revised**
		(Dollars in thousands)	
Assets			
Deferred policy acquisition costs	$ 2,045,812	$ 179,387	$ 2,225,199
Deferred sales inducements	1,328,857	119,518	1,448,375
Total assets	71,389,674	298,905	71,688,579
Liabilities and Stockholders' Equity			
Liabilities:			
Policy benefit reserves	61,768,246	584,636	62,352,882
Deferred income taxes	564,003	(60,003)	504,000
Total liabilities	64,814,958	524,633	65,339,591
Stockholders' equity:			
Accumulated other comprehensive income	2,429,285	(225,728)	2,203,557
Total stockholders' equity	6,574,716	(225,728)	6,348,988
Total liabilities and stockholders' equity	71,389,674	298,905	71,688,579

Revised Consolidated Statement of Comprehensive Income	Year Ended December 31, 2020		
	As Reported	Adjustment	As Revised
	(Dollars in thousands)		
Other comprehensive income:			
Change in net unrealized investment gains/losses (1)	$ 1,162,252	$ (103,963)	$ 1,058,289
Other comprehensive income before income tax	1,178,942	(103,963)	1,074,979
Income tax effect related to other comprehensive income	(247,578)	21,832	(225,746)
Other comprehensive income	931,364	(82,131)	849,233
Comprehensive income	1,602,824	(82,131)	1,520,693

	Year Ended December 31, 2019		
	As Reported	Adjustment	As Revised
	(Dollars in thousands)		
Other comprehensive income:			
Change in net unrealized investment gains/losses (1)	$ 1,954,044	$ (188,937)	$ 1,765,107
Other comprehensive income before income tax	1,962,470	(188,937)	1,773,533
Income tax effect related to other comprehensive income	(412,117)	39,645	(372,472)
Other comprehensive income	1,550,353	(149,292)	1,401,061
Comprehensive income	1,796,443	(149,292)	1,647,151

(1) Net of related adjustments to amortization of deferred sales inducements, deferred policy acquisition costs and policy benefit reserves

3. Fair Values of Financial Instruments

The following sets forth a comparison of the carrying amounts and fair values of our financial instruments:

	December 31,			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Assets				
Fixed maturity securities, available for sale	$ 51,305,943	$ 51,305,943	$ 47,538,893	$ 47,538,893
Mortgage loans on real estate	5,687,998	5,867,227	4,165,489	4,327,885
Real estate investments	337,939	337,939	—	—
Derivative instruments	1,277,480	1,277,480	1,310,954	1,310,954
Other investments	1,767,144	1,767,144	590,078	590,078
Cash and cash equivalents	4,508,982	4,508,982	9,095,522	9,095,522
Coinsurance deposits	8,850,608	7,938,292	4,844,927	4,411,051
Liabilities				
Policy benefit reserves	65,076,041	56,375,076	61,406,599	52,928,174
Single premium immediate annuity (SPIA) benefit reserves	226,207	235,891	240,226	247,679
Notes payable	496,250	569,485	495,668	567,345
Subordinated debentures	78,421	93,721	78,112	87,951

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The objective of a fair value measurement is to determine that price for each financial instrument at each measurement date. We meet this objective using various methods of valuation that include market, income and cost approaches.

We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. We categorize financial assets and liabilities recorded at fair value in the consolidated balance sheets as follows:

Level 1 - Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level 2 - Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.

Level 3 - Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

Transfers of securities among the levels occur at times and depend on the type of inputs used to determine fair value of each security.

Our assets and liabilities which are measured at fair value on a recurring basis as of December 31, 2021 and 2020 are presented below based on the fair value hierarchy levels:

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
December 31, 2021				
Assets				
Fixed maturity securities, available for sale:				
United States Government full faith and credit	$ 37,793	$ 32,737	$ 5,056	$ —
United States Government sponsored agencies	1,040,953	—	1,040,953	—
United States municipalities, states and territories	3,927,201	—	3,927,201	—
Foreign government obligations	402,545	—	402,545	—
Corporate securities	34,660,234	32,700	34,627,534	—
Residential mortgage backed securities	1,125,049	—	1,125,049	—
Commercial mortgage backed securities	4,840,311	—	4,840,311	—
Other asset backed securities	5,271,857	—	5,271,857	—
Other investments: equity securities	12,226	—	5,877	6,349
Real estate investments	337,939	—	—	337,939
Derivative instruments	1,277,480	—	1,277,480	—
Cash and cash equivalents	4,508,982	4,508,982	—	—
	$ 57,442,570	$ 4,574,419	$ 52,523,863	$ 344,288
Liabilities				
Fixed index annuities - embedded derivatives	$ 7,964,961	$ —	$ —	$ 7,964,961
December 31, 2020				
Assets				
Fixed maturity securities, available for sale:				
United States Government full faith and credit	$ 39,771	$ 33,940	$ 5,831	$ —
United States Government sponsored agencies	1,039,551	—	1,039,551	—
United States municipalities, states and territories	3,776,131	—	3,776,131	—
Foreign government obligations	202,706	—	202,706	—
Corporate securities	31,156,827	8	31,156,819	—
Residential mortgage backed securities	1,512,831	—	1,512,831	—
Commercial mortgage backed securities	4,261,227	—	4,261,227	—
Other asset backed securities	5,549,849	—	5,549,849	—
Derivative instruments	1,310,954	—	1,310,954	—
Cash and cash equivalents	9,095,522	9,095,522	—	—
	$ 57,945,369	$ 9,129,470	$ 48,815,899	$ —
Liabilities				
Fixed index annuities - embedded derivatives	$ 7,938,281	$ —	$ —	$ 7,938,281

The following methods and assumptions were used in estimating the fair values of financial instruments during the periods presented in these consolidated financial statements.

Fixed maturity securities

The fair values of fixed maturity securities in an active and orderly market are determined by utilizing independent pricing services. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

- reported trading prices,
- benchmark yields,
- broker-dealer quotes,
- benchmark securities,
- bids and offers,
- credit ratings,
- relative credit information, and
- other reference data.

The independent pricing services also take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary.

The independent pricing services provide quoted market prices when available. Quoted prices are not always available due to market inactivity. When quoted market prices are not available, the third parties use yield data and other factors relating to instruments or securities with similar characteristics to determine fair value for securities that are not actively traded. We generally obtain one value from our primary external pricing service. In situations where a price is not available from this service, we may obtain quotes or prices from additional parties as needed. Market indices of similar rated asset class spreads are considered for valuations and broker indications of similar securities are compared. Inputs used by the broker include market information, such as yield data and other factors relating to instruments or securities with similar characteristics. Valuations and quotes obtained from third party commercial pricing services are non-binding and do not represent quotes on which one may execute the disposition of the assets.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2021 and 2020.

Mortgage loans on real estate

Mortgage loans on real estate are not measured at fair value on a recurring basis. The fair values of mortgage loans on real estate are calculated using discounted expected cash flows using competitive market interest rates currently being offered for similar loans. The fair values of impaired mortgage loans on real estate that we have considered to be collateral dependent are based on the fair value of the real estate collateral (based on appraised values) less estimated costs to sell. The inputs utilized to determine fair value of all mortgage loans are unobservable market data (competitive market interest rates); therefore, fair value of mortgage loans falls into Level 3 in the fair value hierarchy.

Real estate investments

The fair values of residential real estate investments are initially calculated based on the cost to purchase the properties and subsequently calculated based on a discounted cash flow methodology. Under the discounted cash flow method, net operating income is forecasted assuming a 10-year hold period commencing as of the valuation date. An additional year is forecast in order to determine the residual sale price at the end of the hold period, using a residual (terminal) capitalization rate. The significant inputs into the fair value calculation under the discounted cash flow method include the residual capitalization rate and discount rate. These inputs are unobservable market data; therefore, fair value of residential real estate investments falls into Level 3 in the fair value hierarchy. At December 31, 2021, the residual capitalization rates used in the fair value calculations ranged from 5.00% to 6.25% with an average rate of 5.72%. At December 31, 2021, the discount rates used in the fair value calculations ranged from 6.25% to 7.50% with an average rate of 6.97%.

Derivative instruments

The fair values of derivative instruments, primarily call options, are based upon the amount of cash that we will receive to settle each derivative instrument on the reporting date. These amounts are determined by our investment team using industry accepted valuation models and are adjusted for the nonperformance risk of each counterparty net of any collateral held. Inputs include market volatility and risk free interest rates and are used in income valuation techniques in arriving at a fair value for each option contract. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options purchased to fund our fixed index annuity policy liabilities.

Other investments

Equity securities are the only financial instruments included in other investments that are measured at fair value on a recurring basis. The fair value for these securities are determined using the same methods discussed above for fixed maturity securities. Financial instruments included in other investments that are not measured at fair value on a recurring basis are equity method investments, short-term loans and company owned life insurance ("COLI"). The fair values of our equity method investments are obtained from third parties and are determined using a variety of valuation techniques, including discounted cash flow analysis, valuation multiples analysis for comparable investments and appraisal values. As the risk spread and liquidity discount are unobservable market inputs, the fair value of our equity method investments falls within Level 3 of the fair value hierarchy. The fair value of equity method investments was $520.1 million and $179.7 million as of December 31, 2021 and 2020, respectively. Due to the short-term nature of the investment, the fair value of our short-term loans approximates the carrying value. The fair value of short-term loans was $320.0 million and $0 as of December 31, 2021 and 2020, respectively. The fair value of our COLI approximates the cash surrender value of the policies and falls within Level 2 of the fair value hierarchy. The fair value of COLI was $384.3 million and $373.6 million as of December 31, 2021 and 2020, respectively.

Cash and cash equivalents

Amounts reported in the consolidated balance sheets for these instruments are reported at their historical cost which approximates fair value due to the nature of the assets assigned to this category.

Policy benefit reserves, coinsurance deposits and SPIA benefit reserves

The fair values of the liabilities under contracts not involving significant mortality or morbidity risks (principally deferred annuities), are stated at the cost we would incur to extinguish the liability (i.e., the cash surrender value) as these contracts are generally issued without an annuitization date. The coinsurance deposits related to the annuity benefit reserves have fair values determined in a similar fashion. For period-certain annuity benefit contracts, the fair value is determined by discounting the benefits at the interest rates currently in effect for newly issued immediate annuity contracts. We are not required to and have not estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts that are exceptions from financial instruments that require disclosures of fair value. Policy benefit reserves, coinsurance deposits and SPIA benefit reserves are not measured at fair value on a recurring basis. All of the fair values presented within these categories fall within Level 3 of the fair value hierarchy as most of the inputs are unobservable market data.

Notes payable

The fair values of our senior unsecured notes are based upon quoted market prices and are categorized as Level 2 within the fair value hierarchy. Notes payable are not remeasured at fair value on a recurring basis.

Subordinated debentures

Fair values for subordinated debentures are estimated using discounted cash flow calculations based principally on observable inputs including our incremental borrowing rates, which reflect our credit rating, for similar types of borrowings with maturities consistent with those remaining for the debt being valued. These fair values are categorized as Level 2 within the fair value hierarchy. Subordinated debentures are not measured at fair value on a recurring basis.

Fixed index annuities - embedded derivatives

We estimate the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements. Our best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

Within this determination we have the following significant unobservable inputs: 1) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary and 2) our best estimates for future policy decrements, primarily lapse, partial withdrawal and mortality rates. As of both December 31, 2021 and 2020, we utilized an estimate of 2.10% for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual option costs.

Our best estimate assumptions for lapse, partial withdrawal and mortality rates are based on our actual experience and our outlook as to future expectations for such assumptions. These assumptions, which are consistent with the assumptions used in calculating deferred policy acquisition costs and deferred sales inducements, are reviewed on a quarterly basis and are updated as our experience develops and/or as future expectations change. The following table presents average lapse rate and partial withdrawal rate assumptions, by contract duration, used in estimating the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each reporting date:

	Average Lapse Rates		Average Partial Withdrawal Rates	
Contract Duration (Years)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
1 - 5	3.04%	1.22%	2.19%	2.63%
6 - 10	2.84%	1.50%	2.26%	3.14%
11 - 15	4.47%	5.66%	2.14%	3.58%
16 - 20	8.93%	7.08%	1.33%	3.79%
20+	4.93%	7.36%	—%	3.63%

Lapse rates are generally expected to increase as surrender charge percentages decrease for policies without a lifetime income benefit rider. Lapse expectations reflect a significant increase in the year in which the surrender charge period on a contract ends.

The following table provides a reconciliation of the beginning and ending balances for our Level 3 assets and liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	**2020**
	(Dollars in thousands)	
Other investments: equity securities		
Beginning balance	$ —	$ —
Transfers in	6,349	—
Ending balance	$ 6,349	$ —
Real estate investments		
Beginning balance	$ —	$ —
Purchases and sales, net	335,767	—
Change in fair value	2,172	—
Ending balance	$ 337,939	$ —
Fixed index annuities - embedded derivatives		
Beginning balance	$ 7,938,281	$ 9,624,395
Premiums less benefits	1,424,372	235,971
Change in fair value, net	(876,803)	(1,922,085)
Reserve release related to in-force ceded reinsurance	(520,889)	—
Ending balance	$ 7,964,961	$ 7,938,281

The fair value of our fixed index annuities embedded derivatives is net of coinsurance ceded of $1,245.0 million and $655.3 million as of December 31, 2021 and 2020, respectively. Change in fair value, net for each period in our embedded derivatives is included in change in fair value of embedded derivatives in the consolidated statements of operations.

Certain derivatives embedded in our fixed index annuity contracts are our most significant financial instrument measured at fair value that are categorized as Level 3 in the fair value hierarchy. The contractual obligations for future annual index credits within our fixed index annuity contracts are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. We estimate the fair value of these embedded derivatives at each valuation date by the method described above under **fixed index annuities - embedded derivatives.** The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

The most sensitive assumption in determining policy liabilities for fixed index annuities is the rates used to discount the excess projected contract values. As indicated above, the discount rate reflects our nonperformance risk. If the discount rates used to discount the excess projected contract values at December 31, 2021, were to increase by 100 basis points, the fair value of the embedded derivatives would decrease by $546.8 million recorded through operations as a decrease in the change in fair value of embedded derivatives and there would be a corresponding decrease of $234.3 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as an increase in amortization of deferred policy acquisition costs and deferred sales inducements. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase the fair value of the embedded derivatives by $627.3 million recorded through operations as an increase in the change in fair value of embedded derivatives and there would be a corresponding increase of $274.1 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as a decrease in amortization of deferred policy acquisition costs and deferred sales inducements.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions in 2021, 2020 and 2019. In addition, we implemented an enhanced actuarial valuation system during 2019, and as a result, our 2019 assumption updates include model refinements resulting from the implementation.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity benefit policy reserves in 2021 was changes in lapse rate assumptions. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on policies with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The net impact of the updates to the lapse rate assumption resulted in a decrease in the embedded derivative component of our fixed index annuity policy benefit reserves as less funds ultimately qualify for excess benefits.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2020 was a decrease in the crediting rate/option budget to 2.10% from 2.90% as a result of a revised estimate of the cost of options. This assumption change resulted in a decrease in the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves due to a reduction in the projected policy contract values over the expected lives of the contracts. During 2020, we revised the derivation of the discount rate used in calculating the fair value of embedded derivatives which increased the discount rate and resulted in a decrease in the change in fair value of embedded derivatives. The net impact of the updates to lapse and partial withdrawal assumptions resulted in an increase in the embedded derivative component of our fixed index annuity policy benefit reserves as more funds ultimately qualify for excess benefits.

The most significant assumption updates to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2019 were to decrease lapse rate assumptions. We had credible lapse and utilization data based upon a comprehensive experience study spanning over 10 years on our products with lifetime income benefit riders and have experienced lapse rates that are lower than previously estimated. The impact of the lapse rate assumption changes was partially offset by a decrease in the option budget from 3.10% to 2.90% as a result of a revised estimate of the cost of options over the 20 year mean reversion period.

4. Investments

At December 31, 2021 and 2020, the amortized cost and fair value of fixed maturity securities were as follows:

	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses (2)	Allowance for Credit Losses	Fair Value
			(Dollars in thousands)		
December 31, 2021					
Fixed maturity securities, available for sale:					
United States Government full faith and credit	$ 37,109	$ 718	$ (34)	$ —	$ 37,793
United States Government sponsored agencies	1,008,920	32,123	(90)	—	1,040,953
United States municipalities, states and territories	3,495,563	437,456	(3,042)	(2,776)	3,927,201
Foreign government obligations	380,646	22,742	(843)	—	402,545
Corporate securities	31,084,629	3,614,047	(38,442)	—	34,660,234
Residential mortgage backed securities	1,056,778	70,434	(2,093)	(70)	1,125,049
Commercial mortgage backed securities	4,708,878	149,152	(17,719)	—	4,840,311
Other asset backed securities	5,226,660	95,304	(50,107)	—	5,271,857
	$ 46,999,183	$ 4,421,976	$ (112,370)	$ (2,846)	$ 51,305,943
December 31, 2020					
Fixed maturity securities, available for sale:					
United States Government full faith and credit	$ 37,471	$ 2,300	$ —	$ —	$ 39,771
United States Government sponsored agencies	995,465	44,132	(46)	—	1,039,551
United States municipalities, states and territories	3,236,767	543,252	(1,044)	(2,844)	3,776,131
Foreign government obligations	177,062	25,644	—	—	202,706
Corporate securities	26,745,196	4,507,716	(35,892)	(60,193)	31,156,827
Residential mortgage backed securities	1,399,956	117,135	(2,526)	(1,734)	1,512,831
Commercial mortgage backed securities	4,119,650	206,255	(64,678)	—	4,261,227
Other asset backed securities	5,593,169	103,320	(146,640)	—	5,549,849
	$ 42,304,736	$ 5,549,754	$ (250,826)	$ (64,771)	$ 47,538,893

(1) Amortized cost excludes accrued interest receivable of $400.7 million and $377.5 million as of December 31, 2021 and 2020, respectively.

(2) Gross unrealized losses are net of allowance for credit losses.

The amortized cost and fair value of fixed maturity securities at December 31, 2021, by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives and are shown below as separate lines.

	Available for sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Due in one year or less	$ 1,950,504	$ 1,968,323
Due after one year through five years	7,573,038	7,962,521
Due after five years through ten years	7,230,026	7,860,389
Due after ten years through twenty years	10,119,850	12,053,093
Due after twenty years	9,133,449	10,224,400
	36,006,867	40,068,726
Residential mortgage backed securities	1,056,778	1,125,049
Commercial mortgage backed securities	4,708,878	4,840,311
Other asset backed securities	5,226,660	5,271,857
	$ 46,999,183	$ 51,305,943

Net unrealized gains on available for sale fixed maturity securities reported as a separate component of stockholders' equity were comprised of the following:

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Net unrealized gains on available for sale fixed maturity securities	$ 4,309,606	$ 5,297,040
Adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves	(1,993,869)	(2,536,251)
Deferred income tax valuation allowance reversal	22,534	22,534
Deferred income tax expense	(489,482)	(579,766)
Net unrealized gains reported as accumulated other comprehensive income	$ 1,848,789	$ 2,203,557

The National Association of Insurance Commissioners ("NAIC") assigns designations to fixed maturity securities. These designations range from Class 1 (highest quality) to Class 6 (lowest quality). In general, securities are assigned a designation based upon the ratings they are given by the Nationally Recognized Statistical Rating Organizations ("NRSRO's"). The NAIC designations are utilized by insurers in preparing their annual statutory statements. NAIC Class 1 and 2 designations are considered "investment grade" while NAIC Class 3 through 6 designations are considered "non-investment grade." Based on the NAIC designations, we had 98% and 97% of our fixed maturity portfolio rated investment grade at December 31, 2021 and 2020, respectively.

The following table summarizes the credit quality, as determined by NAIC designation, of our fixed maturity portfolio as of the dates indicated:

	December 31, 2021		December 31, 2020	
NAIC Designation	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
1	$ 26,157,531	$ 28,785,839	$ 23,330,149	$ 26,564,542
2	19,758,594	21,396,020	17,312,485	19,377,013
3	909,311	941,210	1,292,124	1,299,455
4	133,070	147,160	282,049	256,651
5	16,496	15,357	29,396	16,288
6	24,181	20,357	58,533	24,944
	$ 46,999,183	$ 51,305,943	$ 42,304,736	$ 47,538,893

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 1,427 and 843 securities, respectively) have been in a continuous unrealized loss position, at December 31, 2021 and 2020:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)
			(Dollars in thousands)			
December 31, 2021						
Fixed maturity securities, available for sale:						
United States Government full faith and credit	$ 1,007	$ (34)	$ —	$ —	$ 1,007	$ (34)
United States Government sponsored agencies	759,970	(90)	—	—	759,970	(90)
United States municipalities, states and territories	168,942	(2,468)	15,711	(3,350)	184,653	(5,818)
Foreign government obligations	42,861	(843)	—	—	42,861	(843)
Corporate securities	2,375,603	(30,070)	116,819	(8,372)	2,492,422	(38,442)
Residential mortgage backed securities	250,964	(1,408)	26,917	(755)	277,881	(2,163)
Commercial mortgage backed securities	784,464	(5,500)	142,224	(12,219)	926,688	(17,719)
Other asset backed securities	1,351,324	(11,345)	1,771,182	(38,762)	3,122,506	(50,107)
	$ 5,735,135	$ (51,758)	$ 2,072,853	$ (63,458)	$ 7,807,988	$ (115,216)
December 31, 2020						
Fixed maturity securities, available for sale:						
United States Government sponsored agencies	$ 250,475	$ (46)	$ —	$ —	$ 250,475	$ (46)
United States municipalities, states and territories	31,802	(3,887)	868	(1)	32,670	(3,888)
Corporate securities	606,277	(45,150)	154,633	(50,935)	760,910	(96,085)
Residential mortgage backed securities	156,016	(2,384)	13,599	(1,876)	169,615	(4,260)
Commercial mortgage backed securities	934,593	(54,834)	35,153	(9,844)	969,746	(64,678)
Other asset backed securities	1,013,781	(16,607)	2,567,723	(130,033)	3,581,504	(146,640)
	$ 2,992,944	$ (122,908)	$ 2,771,976	$ (192,689)	$ 5,764,920	$ (315,597)

(1) Unrealized losses have not been reduced to reflect the allowance for credit losses of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

The unrealized losses at December 31, 2021 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2021, and the continued impact the COVID-19 pandemic had on credit markets. Approximately 85% and 75% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2021 and 2020, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

We expect to recover our amortized cost on all securities except for those securities on which we recognized an allowance for credit loss. In addition, because we did not have the intent to sell fixed maturity securities with unrealized losses and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost, which may be maturity, we did not write down these investments to fair value through the consolidated statements of operations.

Changes in net unrealized gains/losses on investments for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Fixed maturity securities available for sale carried at fair value	$ (987,434)	$ 1,955,496	$ 3,549,007
Adjustment for effect on other balance sheet accounts:			
Deferred policy acquisition costs, deferred sales inducements and policy benefit reserves	542,382	(880,517)	(1,775,474)
Deferred income tax asset/liability	90,284	(225,746)	(372,472)
	632,666	(1,106,263)	(2,147,946)
Change in net unrealized gains/losses on investments carried at fair value	$ (354,768)	$ 849,233	$ 1,401,061

Components of net investment income are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Fixed maturity securities	$ 1,772,675	$ 2,035,762	$ 2,171,768
Real estate investments	14,138	—	—
Mortgage loans on real estate	215,138	170,749	145,344
Cash and cash equivalents	3,385	4,871	5,164
Other investments	96,556	3,168	7,202
	2,101,892	2,214,550	2,329,478
Less investment expenses	(64,417)	(32,472)	(21,843)
Net investment income	$ 2,037,475	$ 2,182,078	$ 2,307,635

Proceeds from sales of available for sale fixed maturity securities for the years ended December 31, 2021, 2020 and 2019 were $0.8 billion, $5.4 billion and $1.0 billion, respectively. Scheduled principal repayments, calls and tenders for available for sale fixed maturity securities for the years ended December 31, 2021, 2020 and 2019 were $3.7 billion, $2.9 billion and $2.3 billion, respectively.

Net realized gains (losses) on investments for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Available for sale fixed maturity securities:			
Gross realized gains	$ 10,167	$ 305,170	$ 21,449
Gross realized losses	(19,140)	(276,847)	(6,397)
Net credit loss (provision) release (1)	(6,241)	(94,560)	—
	(15,214)	(66,237)	15,052
Other investments:			
Gross realized gains	—	—	7,296
Gross realized losses	—	—	(14,446)
	—	—	(7,150)
Mortgage loans on real estate:			
Decrease (increase) in allowance for credit losses	7,005	(15,447)	(940)
Recovery of specific allowance	—	712	—
Gain (loss) on sale of mortgage loans	(5,033)	292	—
	1,972	(14,443)	(940)
Total net realized (losses) gains	$ (13,242)	$ (80,680)	$ 6,962

(1) Prior to adopting authoritative guidance effective January 1, 2020, credit losses on available for sale fixed maturity securities were classified as other than temporary impairments and reported in a separate line item in the Consolidated Statements of Operations. We recognized $18.7 million of other than temporary impairments during the year ended December 31, 2019.

Realized losses on available for sale fixed maturity securities in 2021, 2020 and 2019 were realized primarily due to strategies to reposition the fixed maturity security portfolio that result in improved net investment income, credit risk or duration profiles as they pertain to our asset liability management. In addition, certain realized gains and losses on available for sale fixed maturity securities in 2020 were realized as a result of efforts to de-risk the portfolio. Realized gains and losses on sales are determined on the basis of specific identification of investments based on the trade date.

The following table summarizes the carrying value of our investments that have been non-income producing for 12 consecutive months:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Fixed maturity securities, available for sale	$ 4,118	$ 5,766

We review and analyze all investments on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost basis of each investment that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of securities for credit loss is a quantitative and qualitative process, which is subject to risks and uncertainties.

We have a policy and process to identify securities that could potentially have credit loss. This process involves monitoring market events and other items that could impact issuers. The evaluation includes but is not limited to such factors as:

- the extent to which the fair value has been less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;
- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether an allowance for credit loss should be established for debt securities by assessing all facts and circumstances surrounding each security. Where the decline in fair value of debt securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these investments to have credit loss because we do not intend to sell these investments and it is not more likely than not we will be required to sell these investments before a recovery of amortized cost, which may be maturity.

If we intend to sell a debt security or if it is more likely than not that we will be required to sell a debt security before recovery of its amortized cost basis, credit loss has occurred and the difference between amortized cost and fair value will be recognized as a loss in operations.

If we do not intend to sell and it is not more likely than not we will be required to sell the debt security but also do not expect to recover the entire amortized cost basis of the security, a credit loss would be recognized in operations for the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The recognized credit loss is limited to the total unrealized loss on the security (i.e., the fair value floor).

The determination of the credit loss component of a mortgage backed security is based on a number of factors. The primary consideration in this evaluation process is the issuer's ability to meet current and future interest and principal payments as contractually stated at time of purchase. Our review of these securities includes an analysis of the cash flow modeling under various default scenarios considering independent third party benchmarks, the seniority of the specific tranche within the structure of the security, the composition of the collateral and the actual default, loss severity and prepayment experience exhibited. With the input of third party assumptions for default projections, loss severity and prepayment expectations, we evaluate the cash flow projections to determine whether the security is performing in accordance with its contractual obligation.

We utilize models from a leading structured product software specialist serving institutional investors. These models incorporate each security's seniority and cash flow structure. In circumstances where the analysis implies a potential for principal loss at some point in the future, we use the "best estimate" cash flow projection discounted at the security's effective yield at acquisition to determine the amount of our potential credit loss associated with this security. The discounted expected future cash flows equates to our expected recovery value. Any shortfall of the expected recovery when compared to the amortized cost of the security will be recorded as credit loss.

The determination of the credit loss component of a corporate bond is based on the underlying financial performance of the issuer and their ability to meet their contractual obligations. Considerations in our evaluation include, but are not limited to, credit rating changes, financial statement and ratio analysis, changes in management, significant changes in credit spreads, breaches of financial covenants and a review of the economic outlook for the industry and markets in which they trade. In circumstances where an issuer appears unlikely to meet its future obligation, an estimate of credit loss is determined. Credit loss is calculated using default probabilities as derived from the credit default swaps markets in conjunction with recovery rates derived from independent third party analysis or a best estimate of credit loss. This credit loss rate is then incorporated into a present value calculation based on an expected principal loss in the future discounted at the yield at the date of purchase and compared to amortized cost to determine the amount of credit loss associated with the security.

We do not measure a credit loss allowance on accrued interest receivable as we write off any accrued interest receivable balance to net investment income in a timely manner when we have concerns regarding collectability.

Amounts on available for sale fixed maturities that are deemed to be uncollectible are written off and removed from the allowance for credit loss. A write-off may also occur if we intend to sell a security or when it is more likely than not we will be required to sell the security before the recovery of its amortized cost.

The following table provides a rollforward of the allowance for credit loss:

	Year Ended December 31, 2021					
	United States Municipalities, States and Territories	Corporate Securities	Commercial Mortgage Backed Securities	Residential Mortgage Backed Securities	Other Asset Backed Securities	Total
	(Dollars in thousands)					
Beginning balance	$ 2,844	$ 60,193	$ —	$ 1,734	$ —	$ 64,771
Additions for credit losses not previously recorded	—	705	—	407	—	1,112
Change in allowance on securities with previous allowance	(68)	443	—	(857)	—	(482)
Reduction for securities with credit losses due to intent to sell	—	(209)	—	—	—	(209)
Reduction for securities sold during the period	—	(50,758)	—	—	—	(50,758)
Write-offs charged against the allowance	—	(10,032)	—	—	—	(10,032)
Recoveries of amounts previously written off	—	(342)	—	(1,214)	—	(1,556)
Ending balance	$ 2,776	$ —	$ —	$ 70	$ —	$ 2,846

	Year Ended December 31, 2020					
	United States Municipalities, States and Territories	Corporate Securities	Commercial Mortgage Backed Securities	Residential Mortgage Backed Securities	Other Asset Backed Securities	Total
	(Dollars in thousands)					
Beginning balance (1)	$ —	$ —	$ —	$ —	$ —	$ —
Additions for credit losses not previously recorded	2,844	60,193	29,241	1,734	548	94,560
Reduction for securities with credit losses due to intent to sell	—	—	(21,888)	—	(548)	(22,436)
Reduction for securities sold during the period	—	—	(7,353)	—	—	(7,353)
Ending balance	$ 2,844	$ 60,193	$ —	$ 1,734	$ —	$ 64,771

(1) The allowance for credit loss associated with available for sale fixed maturity securities was applied prospectively upon adoption of authoritative guidance effective January 1, 2020. See *Note 1 - Significant Accounting Policies* for further details.

At December 31, 2021 and 2020, cash and invested assets of $49.3 billion and $53.5 billion, respectively, were on deposit with state agencies to meet regulatory requirements. There are no restrictions on these assets.

At December 31, 2021 and 2020, we had no investment in any person or its affiliates that exceeded 10% of stockholders' equity.

5. Mortgage Loans on Real Estate

Our financing receivables consist of the following three portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our mortgage loan portfolios are summarized in the following table. There were commitments outstanding of $370.4 million at December 31, 2021.

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Commercial mortgage loans:		
Principal outstanding	$ 3,633,131	$ 3,580,154
Deferred fees and costs, net	(4,629)	(1,266)
Amortized cost	3,628,502	3,578,888
Valuation allowance	(17,926)	(25,529)
Commercial mortgage loans, carrying value	3,610,576	3,553,359
Agricultural mortgage loans:		
Principal outstanding	408,135	245,807
Deferred fees and costs, net	(1,136)	(634)
Amortized cost	406,999	245,173
Valuation allowance	(519)	(2,130)
Agricultural mortgage loans, carrying value	406,480	243,043
Residential mortgage loans:		
Principal outstanding	1,652,910	366,320
Deferred fees and costs, net	1,468	925
Unamortized discounts and premiums, net	22,143	5,212
Amortized cost	1,676,521	372,457
Valuation allowance	(5,579)	(3,370)
Residential mortgage loans, carrying value	1,670,942	369,087
Mortgage loans, carrying value	$ 5,687,998	$ 4,165,489

Our commercial mortgage loan portfolio consists of loans collateralized by the related properties and diversified as to property type, location and loan size. Our lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. The commercial mortgage loan portfolio is summarized by geographic region and property type as follows:

	December 31,			
	2021		2020	
	Principal	Percent	Principal	Percent
	(Dollars in thousands)			
Geographic distribution				
East	$ 614,406	16.9 %	$ 699,741	19.5 %
Middle Atlantic	293,494	8.1 %	281,971	7.9 %
Mountain	452,818	12.5 %	391,025	10.9 %
New England	60,172	1.6 %	24,774	0.7 %
Pacific	863,879	23.8 %	659,743	18.4 %
South Atlantic	785,679	21.6 %	832,739	23.3 %
West North Central	235,864	6.5 %	266,050	7.4 %
West South Central	326,819	9.0 %	424,111	11.9 %
	$ 3,633,131	100.0 %	$ 3,580,154	100.0 %
Property type distribution				
Office	$ 315,374	8.7 %	$ 297,065	8.3 %
Medical Office	10,827	0.3 %	20,584	0.6 %
Retail	1,016,101	28.0 %	1,187,484	33.2 %
Industrial/Warehouse	924,779	25.4 %	929,325	25.9 %
Apartment	864,580	23.8 %	939,084	26.2 %
Hotel	283,500	7.8 %	—	— %
Mixed Use/Other	217,970	6.0 %	206,612	5.8 %
	$ 3,633,131	100.0 %	$ 3,580,154	100.0 %

Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $408.1 million and $245.8 million as of December 31, 2021 and 2020, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $1.7 billion and $366.3 million as of December 31, 2021 and 2020, respectively. These loans are collateralized by the related properties and diversified as to location within the United States.

Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Interest income is included in Net investment income on our consolidated statements of operations. Accrued interest receivable, which was $37.0 million and $16.6 million as of December 31, 2021 and 2020, respectively, is included in Accrued investment income on our consolidated balance sheets.

Loan Valuation Allowance

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed to be adequate by management to absorb estimated expected credit losses. The valuation allowance is based on amortized cost, which excludes accrued interest receivable. We do not measure a credit loss allowance on accrued interest receivable as we write off any uncollectible accrued interest receivable balances to net investment income in a timely manner. We did not charge off any uncollectible accrued interest receivable on our commercial, agricultural or residential mortgage loan portfolios for the years ended December 31, 2021 or 2020, respectively.

The valuation allowances for each of our mortgage loan portfolios are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in each portfolio, historical economic data and loss information, and current and forecasted economics conditions. Key loan characteristics impacting the estimate for our commercial mortgage loan portfolio include the current state of the borrower's credit quality, which considers factors such as loan-to-value ("LTV") and debt service coverage ("DSC") ratios, loan performance, underlying collateral type, delinquency status, time to maturity, and original credit scores. Key loan characteristics impacting the estimate for our agricultural and residential mortgage loan portfolios include delinquency status, time to maturity, original credit scores and LTV ratios.

The following table represents a rollforward of the valuation allowance on our mortgage loan portfolios:

	Year Ended December 31, 2021			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance	$ (25,529)	$ (2,130)	$ (3,370)	$ (31,029)
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Change in provision for credit losses	7,603	1,611	(2,209)	7,005
Ending allowance balance	$ (17,926)	$ (519)	$ (5,579)	$ (24,024)

	Year Ended December 31, 2020			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance (1)	$ (17,579)	$ (200)	$ —	$ (17,779)
Charge-offs	1,485	—	—	1,485
Recoveries	712	—	—	712
Change in provision for credit losses	(10,147)	(1,930)	(3,370)	(15,447)
Ending allowance balance	$ (25,529)	$ (2,130)	$ (3,370)	$ (31,029)

(1) Upon adoption of authoritative guidance effective January 1, 2020, we updated our accounting policies and methodology for calculating the general loan loss allowance, resulting in an adjustment to our mortgage loan valuation allowance. See *Note 1 - Significant Accounting Policies* for further details.

Charge-offs include allowances that have been established on loans that were satisfied either by taking ownership of the collateral or by some other means such as discounted pay-off or loan sale. When ownership of the property is taken it is recorded at the lower of the loan's carrying value or the property's fair value (based on appraised values) less estimated costs to sell. The real estate owned is recorded as a component of Other investments and the loan is recorded as fully paid, with any allowance for credit loss that has been established charged off. Fair value of the real estate is determined by third party appraisal. There is no real estate held in Other investments as of December 31, 2021 or December 31, 2020. Recoveries are situations where we have received a payment from the borrower in an amount greater than the carrying value of the loan (principal outstanding less specific allowance).

Credit Quality Indicators

We evaluate the credit quality of our commercial and agricultural mortgage loans by analyzing LTV and DSC ratios and loan performance. We evaluate the credit quality of our residential mortgage loans by analyzing loan performance.

LTV and DSC ratios for our commercial mortgage loans are originally calculated at the time of loan origination and are updated annually for each loan using information such as rent rolls, assessment of lease maturity dates and property operating statements, which are reviewed in the context of current leasing and in place rents compared to market leasing and market rents. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our commercial mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2021 and 2020.

The amortized cost of our commercial mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2021 and 2020 (by year of origination):

	2021		2020		2019		2018		2017		Prior		Total	
As of December 31, 2021:	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 260,623	64 %	$ 454,828	60 %	$ 464,059	61 %	$ 344,170	58 %	$ 246,854	52 %	$ 758,494	45 %	$ 2,529,028	55 %
Greater than or equal to 1.2 and less than 1.5	12,836	67 %	58,960	66 %	128,301	70 %	89,293	66 %	135,818	66 %	129,833	57 %	555,041	65 %
Greater than or equal to 1.0 and less than 1.2	318,636	45 %	17,762	82 %	69,684	72 %	11,937	75 %	6,343	60 %	42,125	58 %	466,487	53 %
Less than 1.0	—	— %	3,289	61 %	26,147	63 %	14,051	76 %	13,385	73 %	21,074	54 %	77,946	65 %
Total	$ 592,095	54 %	$ 534,839	61 %	$ 688,191	64 %	$ 459,451	60 %	$ 402,400	58 %	$ 951,526	47 %	$ 3,628,502	56 %

	2020		2019		2018		2017		2016		Prior		Total	
As of December 31, 2020:	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 364,574	63 %	$ 442,370	66 %	$ 399,193	62 %	$ 316,738	57 %	$ 359,321	54 %	$ 715,706	47 %	$ 2,597,902	57 %
Greater than or equal to 1.2 and less than 1.5	161,779	66 %	226,166	70 %	124,267	72 %	124,564	67 %	52,513	62 %	111,690	55 %	800,979	66 %
Greater than or equal to 1.0 and less than 1.2	17,638	82 %	22,917	67 %	2,769	71 %	7,597	66 %	—	— %	32,327	65 %	83,248	69 %
Less than 1.0	—	— %	64,131	58 %	1,441	89 %	10,156	80 %	—	— %	21,031	60 %	96,759	61 %
Total	$ 543,991	65 %	$ 755,584	67 %	$ 527,670	64 %	$ 459,055	60 %	$ 411,834	55 %	$ 880,754	49 %	$ 3,578,888	59 %

LTV and DSC ratios for our agricultural mortgage loans are calculated at the time of loan origination and are evaluated annually for each loan using land value averages. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our agricultural mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2021 and 2020.

The amortized cost of our agricultural mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2021 and 2020 (by year of origination):

	2021		2020		2019		2018		2017		Prior		Total	
As of December 31, 2021:	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 62,548	54 %	$ 80,919	56 %	$ 11,645	49 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ 180,112	49 %
Greater than or equal to 1.2 and less than 1.5	95,738	55 %	102,958	43 %	3,335	22 %	—	— %	—	— %	—	— %	202,031	48 %
Greater than or equal to 1.0 and less than 1.2	7,478	44 %	4,092	36 %	4,734	50 %	—	— %	—	— %	—	— %	16,304	44 %
Less than 1.0	—	— %	8,552	59 %	—	— %	—	— %	—	— %	—	— %	8,552	59 %
Total	$ 165,764	54 %	$ 196,521	49 %	$ 19,714	45 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ 406,999	48 %

	2020		2019		2018		2017		2016		Prior		Total	
As of December 31, 2020:	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	$ 78,631	52 %	$ 13,985	47 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ —	— %	$ 117,616	43 %
Greater than or equal to 1.2 and less than 1.5	101,879	44 %	3,425	23 %	—	— %	—	— %	—	— %	—	— %	105,304	44 %
Greater than or equal to 1.0 and less than 1.2	4,213	37 %	6,573	43 %	—	— %	—	— %	—	— %	—	— %	10,786	41 %
Less than 1.0	11,467	48 %	—	— %	—	— %	—	— %	—	— %	—	— %	11,467	48 %
Total	$ 196,190	47 %	$ 23,983	42 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ —	— %	$ 245,173	43 %

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Aging of financing receivables is summarized in the following table (by year of origination):

	2021	2020	2019	2018	2017	Prior	Total
As of December 31, 2021:	(Dollars in thousands)						
Commercial mortgage loans							
Current	$ 592,095	$ 534,839	$ 688,191	$ 459,451	$ 402,400	$ 951,526	$ 3,628,502
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	$ 592,095	$ 534,839	$ 688,191	$ 459,451	$ 402,400	$ 951,526	$ 3,628,502
Agricultural mortgage loans							
Current	$ 165,764	$ 196,521	$ 19,714	$ 25,000	$ —	$ —	$ 406,999
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total agricultural mortgage loans	$ 165,764	$ 196,521	$ 19,714	$ 25,000	$ —	$ —	$ 406,999
Residential mortgage loans							
Current	$ 1,092,438	$ 454,532	$ 67,380	$ 16,898	$ 751	$ —	$ 1,631,999
30 - 59 days past due	10,284	12,363	11,373	427	—	—	34,447
60 - 89 days past due	1,838	1,090	102	—	—	—	3,030
Over 90 days past due	679	5,459	907	—	—	—	7,045
Total residential mortgage loans	$ 1,105,239	$ 473,444	$ 79,762	$ 17,325	$ 751	$ —	$ 1,676,521

	2020	2019	2018	2017	2016	Prior	Total
As of December 31, 2020:	(Dollars in thousands)						
Commercial mortgage loans							
Current	$ 543,991	$ 755,584	$ 527,670	$ 459,055	$ 411,834	$ 880,754	$ 3,578,888
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	$ 543,991	$ 755,584	$ 527,670	$ 459,055	$ 411,834	$ 880,754	$ 3,578,888
Agricultural mortgage loans							
Current	$ 196,190	$ 23,983	$ 25,000	$ —	$ —	$ —	$ 245,173
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total agricultural mortgage loans	$ 196,190	$ 23,983	$ 25,000	$ —	$ —	$ —	$ 245,173
Residential mortgage loans							
Current	$ 321,779	$ 24,951	$ —	$ —	$ —	$ —	$ 346,730
30 - 59 days past due	25,150	299	—	—	—	—	25,449
60 - 89 days past due	111	—	—	—	—	—	111
Over 90 days past due	167	—	—	—	—	—	167
Total residential mortgage loans	$ 347,207	$ 25,250	$ —	$ —	$ —	$ —	$ 372,457

Commercial, agricultural and residential mortgage loans are considered nonperforming when they become 90 days or more past due. When loans become nonperforming, we place them on non-accrual status and discontinue recognizing interest income. If payments are received on a nonperforming loan, interest income is recognized to the extent it would have been recognized if normal principal and interest would have been received timely. If payments are received to bring a nonperforming loan back to less than 90 days past due, we will resume accruing interest income on that loan. There were 13 loans in non-accrual status at December 31, 2021 and one loan in non-accrual status at December 31, 2020. During the year ended December 31, 2021 we recognized interest income of $65 thousand on loans which were in non-accrual status at the respective period end. During the years ended December 31, 2020 and 2019, we recognized no interest income on loans which were in non-accrual status at the respective period end.

Troubled Debt Restructuring

A Troubled Debt Restructuring ("TDR") is a situation where we have granted a concession to a borrower for economic or legal reasons related to the borrower's financial difficulties that we would not otherwise consider. A mortgage loan that has been granted new terms, including workout terms as described previously, would be considered a TDR if it meets conditions that would indicate a borrower is experiencing financial difficulty and the new terms constitute a concession on our part. We analyze all loans where we have agreed to workout terms and all loans that we have refinanced to determine if they meet the definition of a TDR. We consider the following factors in determining whether or not a borrower is experiencing financial difficulty:

- borrower is in default,
- borrower has declared bankruptcy,
- there is growing concern about the borrower's ability to continue as a going concern,
- borrower has insufficient cash flows to service debt,
- borrower's inability to obtain funds from other sources, and
- there is a breach of financial covenants by the borrower.

If the borrower is determined to be in financial difficulty, we consider the following conditions to determine if the borrower is granted a concession:

- assets used to satisfy debt are less than our recorded investment,
- interest rate is modified,
- maturity date extension at an interest rate less than market rate,
- capitalization of interest,
- delaying principal and/or interest for a period of three months or more, and
- partial forgiveness of the balance or charge-off.

Mortgage loan workouts, refinances or restructures that are classified as TDRs are individually evaluated and measured for impairment. There were no mortgage loans that we determined to be a TDR at December 31, 2021 and 2020, respectively.

6. Variable Interest Entities

We have relationships with various types of entities which may be VIEs. Certain VIEs are consolidated in our financial results. See *Note 1 - Significant Accounting Policies* for further details on our consolidation accounting policies.

Consolidated Variable Interest Entities

We are invested in one investment company real estate limited partnership which owns various limited liability companies that invest in residential real estate properties. This entity is a VIE as the legal entity’s equity investors have insufficient equity at risk and lack of power to direct the activities that most significantly impact the economic performance. We determined we are the primary beneficiary as a result of our power to control the entity through our significant ownership. Due to the nature of these real estate investments, the investment balance will fluctuate based on changes in the fair value of the properties as well as when purchases and sales of properties are made.

We are invested in one limited partnership which invests in a limited partnership fund that holds infrastructure credit assets. The feeder fund limited partnership is a VIE, and we determined we are the primary beneficiary as a result of our significant ownership of the limited partnership and our obligation to absorb losses or receive benefits from the VIE. We have consolidated the assets and liabilities of the limited partnership, which primarily consist of an equity interest in the infrastructure fund.

The carrying amounts of our consolidated VIE assets, which can only be used to settle obligations of the consolidated VIEs, and liabilities of consolidated VIEs for which creditors do not have recourse were as follows:

	December 31,			
	2021		2020	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(Dollars in thousands)			
Real estate investments	$ 363,229	$ 20,168	$ —	$ —
Infrastructure credit fund	168,711	—	—	—
	$ 531,940	$ 20,168	$ —	$ —

Unconsolidated Variable Interest Entities

We provided debt funding to special purpose vehicles, which is used to acquire and hold loans made to middle market companies. These legal entities are deemed VIEs because there is insufficient equity at risk. We have determined we are not the primary beneficiary as we do not control the activities that most significantly impact the economic performance of the VIEs. Our investments in these VIEs are reported in Fixed maturity securities, available for sale in the Consolidated Balance Sheets.

We provided funding to a limited partnership which purchased a residential business purpose loan originator. The limited partnership was deemed a VIE, however, we are not the primary beneficiary due to our lack of control of the limited partnership. Our investment in this VIE is reported in Other investments in the Consolidated Balance Sheets.

The carrying value and maximum loss exposure for our unconsolidated VIEs were as follows:

	December 31,			
	2021		2020	
	Asset Carrying Value	Maximum Exposure to Loss	Asset Carrying Value	Maximum Exposure to Loss
	(Dollars in thousands)			
Fixed maturity securities, available for sale	$ 459,681	$ 459,681	$ —	$ —
Other investments	345,000	345,000	—	—

7. Derivative Instruments

None of our derivatives qualify for hedge accounting, thus, any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. The fair value of our derivative instruments, including derivative instruments embedded in fixed index annuity contracts, presented in the consolidated balance sheets are as follows:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Assets		
Derivative instruments		
Call options	$ 1,276,574	$ 1,310,954
Warrants	906	—
	$ 1,277,480	$ 1,310,954
Liabilities		
Policy benefit reserves - annuity products		
Fixed index annuities - embedded derivatives, net	$ 7,964,961	$ 7,938,281
Funds withheld for reinsurance liabilities		
Reinsurance related embedded derivative	(2,362)	—
	$ 7,962,599	$ 7,938,281

The changes in fair value of derivatives included in the consolidated statements of operations are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Change in fair value of derivatives:			
Call options	$ 1,347,925	$ 34,604	$ 908,556
Warrants	810	—	—
Interest rate swap	—	—	(1,059)
Interest rate caps	—	62	(591)
	$ 1,348,735	$ 34,666	$ 906,906
Change in fair value of embedded derivatives:			
Fixed index annuities - embedded derivatives	$ (876,803)	$ (1,922,085)	$ 562,302
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	520,863	635,298	891,740
Reinsurance related embedded derivative	(2,362)	—	—
	$ (358,302)	$ (1,286,787)	$ 1,454,042

The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivatives that is presented as Level 3 liabilities in *Note 3 - Fair Values of Financial Instruments*.

We have fixed index annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index. When fixed index annuity deposits are received, a portion of the deposit is used to purchase derivatives consisting of call options on the applicable market indices to fund the index credits due to fixed index annuity policyholders. Substantially all such call options are one year options purchased to match the funding requirements of the underlying policies. The call options are marked to fair value with the change in fair value included as a component of revenues. The change in fair value of derivatives includes the gains or losses recognized at the expiration of the option term and the changes in fair value for open positions. On the respective anniversary dates of the index policies, the index used to compute the index credit is reset and we purchase new call options to fund the next index credit. We manage the cost of these purchases through the terms of our fixed index annuities, which permit us to change caps, participation rates, and/or asset fees, subject to guaranteed minimums on each policy's anniversary date. By adjusting caps, participation rates, or asset fees, we can generally manage option costs except in cases where the contractual features would prevent further modifications.

Our strategy attempts to mitigate any potential risk of loss due to the nonperformance of the counterparties to these call options through a regular monitoring process which evaluates the program's effectiveness. We do not purchase call options that would require payment or collateral to another institution and our call options do not contain counterparty credit-risk-related contingent features. We are exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, we purchase our option contracts from multiple counterparties and evaluate the creditworthiness of all counterparties prior to purchase of the contracts. All non-exchange traded options have been purchased from nationally recognized financial institutions with a Standard and Poor's credit rating of A- or higher at the time of purchase and the maximum credit exposure to any single counterparty is subject to concentration limits. We also have credit support agreements that allow us to request the counterparty to provide collateral to us when the fair value of our exposure to the counterparty exceeds specified amounts.

The notional amount and fair value of our call options by counterparty and each counterparty's current credit rating are as follows:

			December 31,			
			2021		2020	
Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	Notional Amount	Fair Value	Notional Amount	Fair Value
			(Dollars in thousands)			
Bank of America	A+	Aa2	$ 3,556,256	$ 99,229	$ 2,835,420	$ 95,378
Barclays	A	A1	4,213,658	157,865	5,710,978	277,692
Canadian Imperial Bank of Commerce	A+	Aa2	3,956,329	141,540	6,593,815	279,053
Citibank, N.A.	A+	Aa3	3,190,833	115,860	3,118,979	96,757
Credit Suisse	A+	A1	3,716,868	113,295	4,422,798	78,823
J.P. Morgan	A+	Aa2	4,482,832	105,899	3,600,636	54,762
Morgan Stanley	A+	Aa3	2,223,743	47,950	2,856,466	62,969
Royal Bank of Canada	AA-	A2	3,567,972	100,472	1,289,699	32,753
Societe Generale	A	A1	2,548,072	86,494	1,494,904	34,394
Truist	A	A2	2,547,808	94,924	2,375,124	96,573
Wells Fargo	A+	Aa2	5,820,381	206,403	4,848,541	196,801
Exchange traded			266,601	6,643	214,819	4,999
			$ 40,091,353	$ 1,276,574	$ 39,362,179	$ 1,310,954

As of December 31, 2021 and 2020, we held $1.3 billion and $1.3 billion, respectively, of cash and cash equivalents and other investments from counterparties for derivative collateral, which is included in Other liabilities on our Consolidated Balance Sheets. This derivative collateral limits the maximum amount of economic loss due to credit risk that we would incur if parties to the call options failed completely to perform according to the terms of the contracts to $8.5 million and $35.1 million at December 31, 2021 and 2020, respectively.

The future index credits on our fixed index annuities are treated as a "series of embedded derivatives" over the expected life of the applicable contract. We do not purchase call options to fund the index liabilities which may arise after the next policy anniversary date. We must value both the call options and the related forward embedded options in the policies at fair value.

The reinsurance agreement with North End Re (Cayman) SPC (“North End Re”) to cede certain fixed index annuity product liabilities on a modified coinsurance basis contains an embedded derivative. The obligation to pay the total return on the assets supporting liabilities associated with this reinsurance agreement represents a total return swap. The fair value of the total return swap is based on the unrealized gains and losses of the underlying assets held in the modified coinsurance portfolio. The reinsurance related embedded derivative is reported in Funds withheld for reinsurance liabilities on the Consolidated Balance Sheets and the change in the fair value of the embedded derivative is reported in Change in fair value of embedded derivatives on the Consolidated Statements of Operations. See *Note 9 – Reinsurance and Policy Provisions* for further discussion on this reinsurance agreement.

We entered into an interest rate swap and interest rate caps to manage interest rate risk associated with the floating rate component on certain of our subordinated debentures. See *Note 12 - Subordinated Debentures* for more information on our subordinated debentures. As of December 31, 2021, all of our floating rate subordinated debentures have been redeemed and the interest rate swap and interest rate caps have been terminated. The terms of the interest rate swap provided that we paid a fixed rate of interest and received a floating rate of interest. The terms of the interest rate caps limited the three month LIBOR to 2.50%. The interest rate swap and caps were not effective hedges under accounting guidance for derivative instruments and hedging activities. Therefore, we recorded the interest rate swap and caps at fair value and any net cash payments received or paid were included in the change in fair value of derivatives in the consolidated statements of operations.

8. Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders

Policy acquisition costs deferred and amortized are as follows:

	December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at beginning of year	$ 2,225,199	$ 3,033,649	$ 3,529,855
Costs deferred during the year:			
Commissions	303,192	251,428	419,166
Policy issue costs	4,665	3,725	3,351
Amortization:			
Amortization	(313,990)	(2,769)	(280,699)
Impact of unlocking	45,662	(646,785)	192,982
Effect of net unrealized gains/losses	299,478	(414,049)	(831,006)
Write-off related to in-force ceded reinsurance	(341,437)	—	—
Balance at end of year	$ 2,222,769	$ 2,225,199	$ 3,033,649

Sales inducements deferred and amortized are as follows:

	December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at beginning of year	$ 1,448,375	$ 2,042,060	$ 2,512,590
Costs deferred during the year	95,160	93,610	177,941
Amortization:			
Amortization	(197,799)	(10,063)	(193,292)
Impact of unlocking	45,107	(428,101)	104,707
Effect of net unrealized gains/losses	155,230	(249,131)	(559,886)
Balance at end of year	$ 1,546,073	$ 1,448,375	$ 2,042,060

The following table presents a rollforward of the liability for lifetime income benefit riders (net of coinsurance ceded):

	December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at beginning of year	$ 2,485,123	$ 1,670,750	$ 790,884
Benefit expense accrual	206,180	311,211	179,901
Impact of unlocking	243,658	285,825	315,383
Effect of net unrealized gains/losses	(101,848)	217,337	384,582
Reduction related to in-force ceded reinsurance	(38,484)	—	—
Claim payments	—	—	—
Balance at end of year	$ 2,794,629	$ 2,485,123	$ 1,670,750

We periodically update the key assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. In addition, we periodically update the assumptions used in determining the liability for lifetime income benefit riders.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions in 2021, 2020 and 2019. In addition, we implemented an enhanced actuarial valuation system during 2019, and as a result, our 2019 assumption updates include model refinements resulting from the implementation.

In 2021, American Equity Life entered into a reinsurance agreement which ceded in-force fixed index annuity product liabilities. As a result, there was a write-off of deferred acquisition costs and a reduction of the liability for lifetime income benefit riders associated with this block of in-force liabilities ceded under the agreement. See *Note 9 - Reinsurance and Policy Provisions* for further discussion of this reinsurance agreement.

2021 Assumption Updates

The most significant assumption updates made in 2021 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lifetime income benefit rider utilization assumptions, mortality assumptions, and lapse rate assumptions as discussed below.

Due to the continued low interest rate environment, we updated our assumption for investment spread for American Equity Life to 2.25% in the near term and increasing to 2.50% over an eight-year reversion period and our assumption for crediting/discount rate to 1.55% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was at 2.60% at then end of an eight-year reversion period, with a near term crediting/discount rate of 1.60% increasing to 2.10% over an eight-year reversion period. The assumption change to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements.

We updated lapse rate and mortality assumptions based on historical experience. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on polices with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The overall mortality assumption was lowered to reflect historical experience. The net impact of the updates to the lapse rate and mortality assumptions resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and mortality assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

We updated the lifetime income benefit rider utilization assumption based on historical experience. The ultimate utilization assumption was lowered for policies with a fee rider and certain policies with a no-fee rider. In addition, the utilization assumption was changed to reflect seasonality with higher utilization rates during the first quarter of each year. The net impact of the updates to the utilization assumption resulted in a decrease in the liability for lifetime income benefit riders due to a lower amount of expected benefits payments due to lower expected utilization. The net impact of the updates to the utilization assumption resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

2020 Assumption Updates

The most significant assumption updates made in 2020 were to investment spread assumptions, including the net investment earned rate and crediting rates on policies, as well as updates to lapse rate and partial withdrawal assumptions.

Due to the economic and low interest rate environments, we updated our assumption for aggregate investment spread to 2.40% in the near-term increasing to 2.60% over an eight-year reversion period and our assumption for crediting/discount rate to 1.60% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was steady at 2.60%, with a near term crediting/discount rate of 1.90% increasing to 2.90% over a 20 year reversion period. The assumption update to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The decrease in the crediting rate, which is used as the discount rate in the calculation of the liability for lifetime income benefit riders, resulted in an increase in the liability for lifetime income benefit riders.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. For certain annuity products without a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were increased while for certain annuity products with a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were decreased. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

2019 Assumption Updates

The most significant assumption updates made during 2019 were to lapse and utilization assumptions. We had credible lapse and utilization data based upon a comprehensive experience study spanning over 10 years on our products with lifetime income benefit riders and have experienced lapse rates that are lower than previously estimated.

Lower lapse assumptions resulted in an expectation that more policyholders will turn on their lifetime income benefit than previously anticipated which results in a greater amount of benefit payments in excess of account value and the need for a greater liability for lifetime income benefit riders. The decrease in lapse rate assumptions also resulted in policies being in force for a longer period of time and an increase in expected gross profits as compared to previous estimates. The higher level of expected future gross profits resulted in an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

Our historical experience also indicated that the ultimate utilization of certain lifetime income benefit riders was expected to be less than our prior assumptions and the timing of utilization of lifetime income benefit riders is later than in our prior assumptions. We reduced our ultimate utilization assumptions for fee riders from 75% to 60% and for no-fee riders from 37.5% to 30%, for policies issued in 2014 and prior years. The net effect of the utilization assumption revisions resulted in a decrease in the liability for lifetime income benefit riders and partially offset the increase in the reserve for lifetime income benefit riders from the change in lapse assumptions.

In addition, we updated our assumptions regarding future crediting/discount rates. We assumed a 3.80% U.S. Treasury rate with a 20 year mean revision period. Our assumption for aggregate investment spread was 2.60% which translated to an ultimate discount rate of 2.90%. While the aggregate spread of 2.60% did not change from prior estimates, our estimates of the profitability of individual cohorts changed with the use of an aggregate portfolio yield across all cohorts. This assumption update resulted in a change in the allocation of profitability by cohort, which caused a reduction in the deferred policy acquisition costs and deferred sales inducements assets and partially offset the increase in the deferred policy acquisition costs and deferred sales inducements assets from the change in lapse assumptions.

9. Reinsurance and Policy Provisions

Coinsurance

We have two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to EquiTrust under these agreements) were $381.4 million and $428.0 million at December 31, 2021 and 2020, respectively. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. The balance due under these agreements to EquiTrust was $7.8 million and $9.7 million at December 31, 2021 and 2020, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due to or from EquiTrust related to monthly settlements of policy activity and other expenses.

We have three coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014 through December 31, 2020, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 through December 31, 2020 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to Athene under these agreements) were $3.7 billion and $4.4 billion at December 31, 2021 and 2020, respectively. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. The balance due under these agreements to Athene was $74.8 million and $105.8 million at December 31, 2021 and 2020, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due from Athene related to monthly settlements of policy activity. Effective January 1, 2021, no new business is being ceded to Athene.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (North End Re reinsurance treaty), a wholly-owned subsidiary of Brookfield Asset Management Reinsurance Partners Ltd. (“Brookfield Reinsurance” or “Brookfield”) to reinsure approximately $4.3 billion of in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinsurance (“modco”) basis and 30% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in both a statutory and supplemental trust (collectively referred to as the “trusts”). The liabilities reinsured on a modco basis are secured by a segregated modco account in which the assets are maintained by American Equity Life. American Equity Life transferred cash of $2.6 billion to the segregated modco account and $1.1 billion to the statutory trust at close of this reinsurance agreement on October 8, 2021. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment partially contingent on certain performance obligations for both parties. The initial net present value of the ceding commission related to the in-force business was $114.1 million.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinsurance basis to North End Re. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment being contingent on certain performance obligations for both parties. The initial net present value of the ceding commission related to the flow business ceded in 2021 was $27.1 million. The asset liability management fee recognized in Other revenue in 2021 was $5.5 million.

In addition, American Equity Life will receive certain acquisition cost reimbursements and an on-going annual expense reimbursement on each policy subject to the reinsurance agreement for the entirety of the policy duration.

As a result of the North End Re reinsurance treaty, there is a deferred gain of $321.7 million which is recorded in Other liabilities as of December 31, 2021. This deferred gain represents the unamortized portion of the cost of reinsurance related to the in-force business and new business in the third and fourth quarter which will be amortized over the life of the underlying reinsured policies. The deferred gain consists primarily of the difference between liabilities ceded and assets transferred as part of the reinsurance agreement and the present value of the ceding commissions previously noted offset by a reduction in deferred policy acquisition costs associated with the the in-force business ceded. The amortization of the deferred gain recognized in Other revenue in 2021 was $10.2 million.

American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re should North End Re fail to meet the obligations it has reinsured.

The assets in the trusts and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and modco account are subject to investment management agreements between American Equity Life and North End Re.

As of December 31, 2021, coinsurance deposits (aggregate policy benefits reserves transferred to North End Re under these agreements) were $4.6 billion. The balance due under these agreements to North End Re was $127.9 million which is recorded in Other liabilities at December 31, 2021.

Separate from the reinsurance transaction, Brookfield Reinsurance, has an approximate 9.8% interest in the Company's outstanding common stock as of December 31, 2021. See *Note 16 - Earnings Per Common Share and Stockholders' Equity* for further discussion of Brookfield's ownership.

Amounts ceded to EquiTrust, Athene and North End Re under these agreements are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Consolidated Statements of Operations			
Annuity product charges	$ 20,351	$ 7,021	$ 7,792
Change in fair value of derivatives	140,641	43,080	97,195
	$ 160,992	$ 50,101	$ 104,987
Interest sensitive and index product benefits	$ 303,035	$ 152,485	$ 132,127
Change in fair value of embedded derivatives	(76,915)	4,352	109,002
Other operating costs and expenses	16,440	17,663	18,778
	$ 242,560	$ 174,500	$ 259,907
Consolidated Statements of Cash Flows			
Annuity deposits	$ (424,819)	$ (35,667)	$ (290,040)
Cash payments to policyholders	984,260	466,311	381,276
	$ 559,441	$ 430,644	$ 91,236

We calculate estimated losses on reinsurance recoverable balances by determining an expected loss ratio. The expected loss ratio is based on industry historical loss experience and expected recovery timing adjusted for certain current and forecasted environmental factors management believes to be relevant. Estimated losses related to our reinsurance recoverable balances were $2.3 million and $1.9 million as of December 31, 2021 and 2020, respectively.

We monitor concentration of reinsurance risk with third party reinsurers and monitor concentration as well as financial strength ratings of our reinsurers.

Financing Arrangements

Effective April 1, 2019, we entered into a reinsurance agreement with Hannover Life Reassurance Company of America ("Hannover"), which was treated as reinsurance under statutory accounting practices and as a financing arrangement under GAAP. The statutory surplus benefit under this agreement was eliminated under GAAP and the associated charges were recorded as risk charges and included in Other operating costs and expenses in the Consolidated Statements of Operations. The 2019 Hanover Agreement was a coinsurance funds withheld reinsurance agreement for statutory purposes covering 80% of lifetime income benefit rider payments in excess of policy fund values and waived surrender charges related to penalty free withdrawals on certain business.

The reserve credit recorded on a statutory basis by American Equity Life under the 2019 Hannover agreement was $1.4 billion at December 31, 2020. We paid a quarterly risk charge based on the pretax statutory benefit as of the end of each calendar quarter. Risk charges attributable to our 2019 agreement with Hannover were $33.1 million, $44.7 million, and $37.8 million during 2021, 2020 and 2019, respectively. Effective October 1, 2021, we recaptured the 2019 Hannover agreement.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a reinsurance agreement with AEL Re Vermont, a wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values on a funds withheld basis ("The AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss ("XOL") reinsurance agreement with Hannover to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement after the funds withheld account balance is exhausted. AEL Re Vermont is permitted to carry the XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP. AEL Re Vermont incurred risk charges of $2.8 million during the year ended December 31, 2021 in relation to this XOL agreement with Hannover. The risk charges are included in other Operating costs and expenses in the Consolidated Statements of Operations.

Effective December 31, 2021, American Equity Life executed a coinsurance agreement with AEL Re Bermuda, an affiliated Bermuda reinsurer wholly owned by American Equity Investment Life Holding Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007. The treaty is maintained on a funds withheld basis. American Equity Life ceded $3.8 billion of statutory reserves and interest maintenance reserves.

All intercompany balances have been eliminated in the preparation of the accompanying financial statements.

10. Income Taxes

We file consolidated federal income tax returns that include all of our wholly-owned subsidiaries. Our income tax expense as presented in the consolidated financial statements is summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Consolidated statements of operations:			
Current income taxes	$ 332	$ 3,430	$ 12,528
Deferred income taxes	128,423	141,071	56,947
Total income tax expense included in consolidated statements of operations	128,755	144,501	69,475
Stockholders' equity:			
Expense (benefit) relating to:			
Adoption of expected credit loss model	—	(2,543)	—
Change in net unrealized investment losses	(90,284)	225,746	372,472
Total income tax expense included in consolidated financial statements	$ 38,471	$ 367,704	$ 441,947

Income tax expense in the consolidated statements of operations differed from the amount computed at the applicable statutory federal income tax rates of 21% for the years ended December 31, 2021, 2020, and 2019 as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Income before income taxes	$ 602,747	$ 815,961	$ 315,565
Income tax expense on income before income taxes	$ 126,577	$ 171,352	$ 66,269
Tax effect of:			
State income taxes	5,239	5,749	5,111
Tax exempt net investment income	(4,715)	(4,602)	(4,385)
Tax rate differential on net operating loss carryback	—	(30,041)	—
Other	1,654	2,043	2,480
Income tax expense	$ 128,755	$ 144,501	$ 69,475
Effective tax rate	21.4 %	17.7 %	22.0 %

The effective tax rate for the year ended December 31, 2020 was positively impacted by $30.0 million related to the provision of the CARES ACT which allowed net operating losses for 2018 through 2020 to be carried back to previous tax years in which a 35% statutory tax rate was in effect.

Deferred income tax assets or liabilities are established for temporary differences between the financial reporting amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively, in future years. The tax effects of temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2021 and 2020, are as follows:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Deferred income tax assets:		
Policy benefit reserves	$ 1,373,485	$ 1,586,000
Credit losses/Impairments	15,275	28,519
Other policyholder funds	3,332	3,789
Deferred compensation	3,434	2,161
Share-based compensation	5,171	2,189
Net operating loss carryforwards	87,314	—
Other	1,140	3,569
Gross deferred tax assets	1,489,151	1,626,227
Deferred income tax liabilities:		
Deferred policy acquisition costs and deferred sales inducements	(1,170,859)	(1,268,790)
Net unrealized gains on available for sale fixed maturity securities	(489,290)	(579,766)
Derivative instruments	(107,717)	(119,444)
Policy benefit reserves	(98,616)	(123,270)
Investment income items	(56,285)	(28,719)
Amounts due reinsurer	(103,234)	(5,636)
Other	(5,122)	(4,602)
Gross deferred tax liabilities	(2,031,123)	(2,130,227)
Net deferred income tax liability	$ (541,972)	$ (504,000)

Included in deferred income taxes is the expected income tax benefit attributable to unrealized losses on available for sale fixed maturity securities. There is no valuation allowance provided for the deferred income tax asset attributable to unrealized losses on available for sale fixed maturity securities. Management expects that the passage of time will result in the reversal of these unrealized losses due to the fair value increasing as these securities near maturity. We have the intent and ability to hold these securities to maturity and do not believe it would be necessary to liquidate these securities at a loss. In addition, we have the ability to sell fixed maturity securities in unrealized gain positions to offset realized deferred income tax assets attributable to unrealized losses on available for sale fixed maturity securities.

Realization of our deferred income tax assets is more likely than not based on expectations as to our future taxable income and considering all other available evidence, both positive and negative. Therefore, no valuation allowance against deferred income tax assets has been established as of December 31, 2021 and 2020.

There were no material income tax contingencies requiring recognition in our consolidated financial statements as of December 31, 2021. Our tax returns are subject to audit by various federal, state and local tax authorities. The Company's income tax returns are subject to examination by the IRS and state tax authorities, generally for three years after they are due or filed, whichever is later. Tax years ended before December 31, 2018 are no longer open to examination by the IRS.

At December 31, 2021, we have $87.3 million of net operating loss carryforwards for federal income tax purposes.

11. Notes Payable and Amounts Due Under Repurchase Agreements

Notes payable includes the following:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Senior notes due 2027		
Principal	$ 500,000	$ 500,000
Unamortized debt issue costs	(3,537)	(4,086)
Unamortized discount	(213)	(246)
	$ 496,250	$ 495,668

On June 16, 2017, we issued $500 million aggregate principal amount of senior unsecured notes due 2027 which bear interest at 5.0% per year and will mature on June 15, 2027 (the “2027 Notes”). The 2027 Notes were issued at a $0.3 million discount, which is being amortized over the term of the 2027 Notes using the effective interest method. Contractual interest is payable semi-annually in arrears each June 15th and December 15th. The initial transaction fees and costs totaling $5.8 million were capitalized as deferred financing costs and are being amortized over the term of the 2027 Notes using the effective interest method.

On September 30, 2016, we entered into a credit agreement with six banks that provided for a $150 million unsecured revolving line of credit (the "Revolving Facility") that terminated on September 30, 2021 and a $100 million term loan that was scheduled to terminate on September 30, 2019 but was repaid on June 16, 2017 without penalty. No amounts were outstanding under the Revolving Facility at December 31, 2020.

As part of our investment strategy, we enter into securities repurchase agreements (short-term collateralized borrowings). When we do borrow cash on these repurchase agreements, we pledge collateral in the form of debt securities with fair values approximately equal to the amount due and we use the cash to purchase debt securities ahead of the time we collect the cash from selling annuity policies to avoid a lag between the investment of funds and the obligation to credit interest to policyholders. We earn investment income on the securities purchased with these borrowings at a rate in excess of the cost of these borrowings. We had no borrowings under repurchase agreements during the year ended December 31, 2021. Such borrowings averaged $14.3 million and $33.0 million for the years ended December 31, 2020 and 2019, respectively. The maximum amount borrowed during 2020 and 2019 was $186.4 million and $243.6 million, respectively. The weighted average interest rate on amounts due under repurchase agreements was 1.73% and 2.99% for the years ended December 31, 2020 and 2019, respectively.

12. Subordinated Debentures

Our wholly-owned subsidiary trusts (which are not consolidated) have issued fixed rate and floating rate trust preferred securities and have used the proceeds from these offerings to purchase subordinated debentures from us. We also issued subordinated debentures to the trusts in exchange for all of the common securities of each trust. The sole assets of the trusts are the subordinated debentures and any interest accrued thereon. The interest payment dates on the subordinated debentures correspond to the distribution dates on the trust preferred securities issued by the trusts. The trust preferred securities mature simultaneously with the subordinated debentures. Our obligations under the subordinated debentures and related agreements provide a full and unconditional guarantee of payments due under the trust preferred securities. All subordinated debentures are callable by us at any time, except for the Trust II subordinated debt obligations.

Following is a summary of subordinated debt obligations to the trusts at December 31, 2021 and 2020:

	December 31,			
	2021	2020	Interest Rate	Due Date
	(Dollars in thousands)			
American Equity Capital Trust II	$ 78,421	$ 78,112	5%	June 1, 2047

The principal amount of the subordinated debentures issued by us to American Equity Capital Trust II ("Trust II") is $100.0 million. These debentures were assigned a fair value of $74.7 million at the date of issue (based upon an effective yield-to-maturity of 6.8%). The difference between the fair value at the date of issue and the principal amount is being accreted over the life of the debentures. The trust preferred securities issued by Trust II were issued to Iowa Farm Bureau Federation, which owns more than 50% of the voting capital stock of FBL Financial Group, Inc. ("FBL"). The consideration received by Trust II in connection with the issuance of its trust preferred securities consisted of fixed income securities of equal value which were issued by FBL.

We redeemed subordinated debentures issued to American Equity Capital Trust IV and American Equity Capital Trust XII during January 2020 and subordinated debentures issued to American Equity Capital Trust III during February 2020.

13. Retirement and Share-based Compensation Plans

We have adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of our full-time employees subject to minimum eligibility requirements. Employees can contribute a percentage of their annual salary (up to a maximum annual contribution of $19,500 in 2021, $19,500 in 2020 and $19,000 in 2019) to the plan. We contribute an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were $2.7 million, $2.4 million and $1.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

The following table summarizes compensation expense recognized for employees and directors as a result of share-based compensation:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
ESOP	$ 3,377	$ 2,908	$ 2,547
Employee Incentive Plans	22,886	7,855	6,559
Director Equity Plans	1,262	1,056	922
	$ 27,525	$ 11,819	$ 10,028

The principal purpose of the American Equity Investment Employee Stock Ownership Plan ("ESOP") is to provide each eligible employee with an equity interest in us. Employees become eligible once they have completed a minimum of six months of service. Employees become 100% vested after two years of service. Our contribution to the ESOP is determined by the Board of Directors.

During 2020, the 2016 Employee Incentive Plan ("2016 Plan") was amended and renamed the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan ("Amended Plan"). The Amended Plan increased the number of shares of Common stock reserved for issuance by 3,000,000 shares to 5,500,000 shares of our Common stock which may be issued in the form of grants of options, stock appreciation rights, restricted stock awards and restricted stock units. In addition, the Amended Plan allows for awards to be granted to members of the Board of Directors of the Company.

At December 31, 2021, we had 1,924,101 shares of common stock available for future grant under the Amended Plan.

We have a long-term performance incentive plan under which certain members of our management team are granted performance-based restricted stock units pursuant to the Amended Plan or the 2016 Plan. During 2021, 2020 and 2019, we granted 186,091, 217,781 and 152,678 restricted stock units under these plans, respectively. For the 2021 grant, vesting is tied to threshold, target and maximum performance goals for the three year period ending December 31, 2023. Fifty percent of the restricted stock units will vest if we meet threshold goals, 100% of the restricted stock units will vest if we meet target performance goals and 200% of the restricted stock units will vest if we meet maximum performance goals. For the 2020 and 2019 grants, vesting is tied to threshold, target and maximum performance goals for the three year periods ending December 31, 2022 and December 31, 2021, respectively. Fifty percent of the restricted stock units will vest if we meet threshold goals, 100% of the restricted stock units will vest if we meet target performance goals and 150% of the restricted stock units will vest if we meet maximum performance goals. Compensation expense is recognized over the three year vesting period based on the likelihood of meeting threshold, target and maximum goals. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant.

During 2021, 2020 and 2019 we granted 199,597, 133,429 and 72,696, respectively, time-based restricted stock units to employees under the Amended Plan or the 2016 Plan. These grants vest one to three years following the grant date provided the participant remains employed with us. Shares will vest early upon an employee reaching 65 years of age with 10 years of service with us. Compensation expense is recognized over the vesting period. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant.

During 2021 and 2020, we granted 391,553 and 105,809 options to employees under the Amended Plan or the 2016 Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These options vest over a period of one to five years and expire 10 years after the grant date. Compensation expense is recognized over the vesting period.

During 2021 and 2020, we granted 855,052 and 709,958 performance-based options ("Performance Options") to employees under the Amended Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These Performance Options vest based upon the timing of meeting the market condition of a 30-day volume weighted average common stock price of $37.00 per common share. Fifty percent of the Performance Options granted vest upon the later of: (i) the market condition noted above being met; and (ii) the one year anniversary of the Grant Date. The remaining fifty percent of the Performance Options granted vest on the one year anniversary of the vesting of the initial fifty percent of the Performance Options. The market condition for these performance options was met on January 4, 2022. Compensation expense for the Performance Options is recognized over the requisite service period.

During 2021 and 2020, we issued 39,273 and 51,450 shares of common stock under the Amended Plan to our Directors, all of which are restricted stock, and which vest on the earlier of the next annual meeting date or one year from the grant date provided the individual remains a Director during that time period.

The 2013 Director Equity and Incentive Plan authorized the grant of options, stock appreciation rights, restricted stock awards and restricted stock units convertible into or based upon our common stock of up to 250,000 shares to our Directors. During 2019, we issued 32,000 shares of common stock, respectively, all of which are restricted stock, and which vested on the earlier of the next annual meeting date or one year from the grant date provided the individual remains a Director during that time period. At December 31, 2021, there were no shares of common stock available for future grant under the 2013 Director and Equity Incentive Plan.

During 2014, we established the 2014 Independent Insurance Agent Restricted Stock and Restricted Stock Unit Plan, which was amended during 2016. Under the amended plan, agents of American Equity Life received grants of restricted stock and restricted stock units based upon their individual sales. The plan authorized grants of up to 1,800,000 shares of our common stock. At December 31, 2021, there were no shares of common stock available for future grant under the amended 2014 Independent Insurance Agent Restricted Stock and Restricted Stock Unit Plan. We recognized commission expense and an increase to additional paid-in capital as share-based compensation equal to the fair value of the restricted stock and restricted stock units as they were earned.

In January 2017, American Equity Life's agents were granted 363,624 restricted stock units based on their production during 2016. In January 2020, agents vested in 58,617 restricted stock units granted in January 2017 based on their continued service as an independent agent and their 2019 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $1.4 million in 2019. In January 2021, agents vested in 41,735 restricted stock units granted in January 2017 based on their continued service as an independent agent and their 2020 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $0.9 million in 2020. In January 2022, agents vested in 3,568 restricted stock units granted in January 2017 based on their continued service as an independent agent and their 2021 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $0.2 million in 2021.

In January 2016, American Equity Life's agents were granted 650,683 restricted stock units based on their production during 2015. In January 2020, agents vested in 89,382 restricted stock units granted in January 2016 based on their continued service as an independent agent and their 2019 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $2.2 million in 2019. In January 2021, agents vested in 4,042 restricted stock units granted in January 2016 based on their continued service as an independent agent and their 2020 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $0.1 million in 2020.

For the restricted stock units granted to agents in January of 2017 and 2016, 20% of the restricted stock units vested one year from the grant date if the agent was in good standing with American Equity Life at that date. The remaining 80% of the restricted stock units granted to retirement eligible individuals vest over a three year period if the agent remains in good standing with American Equity Life. The remaining 80% of the restricted stock units granted to non-retirement eligible individuals vest based on the agent's individual sales and continued service as an independent agent over a period of time not to exceed five years.

Our 2000 Director Stock Option Plan, 2009 Employee Incentive Plan and 2011 Director Stock Option Plan authorized grants of options to officers, directors and employees for an aggregate of up to 2,975,000 shares of our common stock. All options granted under these plans have ten year terms and a six month or three year vesting period after which they become fully exercisable immediately. As of December 31, 2021, there were no options available for grant under these plans.

During 2007, 2010 and 2012 we established Independent Insurance Agent Stock Option plans. Under these plans, agents of American Equity Life received grants of options to acquire shares of our common stock based upon their individual sales. The plans authorized grants of options to agents for an aggregate of up to 8,000,000 shares of our common stock. As of December 31, 2021, there were no options available for future grant under these plans. We recognized commission expense and an increase to additional paid-in capital as share-based compensation equal to the fair value of the options as they were earned.

Changes in the number of stock options granted to employees and agents outstanding during the years ended December 31, 2021, 2020 and 2019 are as follows:

	Number of Shares	Weighted-Average Exercise Price per Share	Total Exercise Price
	(Dollars in thousands, except per share data)		
Outstanding at January 1, 2019	1,221,865	$ 17.41	$ 21,273
Granted	—	—	—
Canceled	(22,600)	18.14	(410)
Exercised	(370,352)	11.76	(4,357)
Outstanding at December 31, 2019	828,913	19.91	16,506
Granted	815,767	26.70	21,778
Canceled	(31,200)	21.50	(670)
Exercised	(355,563)	16.98	(6,038)
Outstanding at December 31, 2020	1,257,917	25.10	31,576
Granted	1,246,605	29.15	36,336
Canceled	(146,803)	25.44	(3,735)
Exercised	(295,000)	22.88	(6,749)
Outstanding at December 31, 2021	2,062,719	27.84	$ 57,428

The following table summarizes information about stock options outstanding at December 31, 2021:

	Stock Options Outstanding			Stock Options Vested		
Range of Exercise Prices	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share
$10.52	42,000	0.43	$ 10.52	42,000	0.43	$ 10.52
$21.89 - $26.72	398,320	8.84	26.11	—	0.00	—
$27.05 - $32.58	1,622,399	9.10	28.71	—	0.00	—
$10.52 - $32.58	2,062,719	8.87	27.84	42,000	0.43	10.52

The aggregate intrinsic value for stock options outstanding and vested awards was $22.9 million and $1.2 million, respectively, at December 31, 2021. For the years ended December 31, 2021, 2020 and 2019, the total intrinsic value of options exercised by officers, directors and employees was $1.2 million, $2.2 million and $3.4 million, respectively. Intrinsic value for stock options is calculated as the difference between the exercise price of the underlying awards and the price of our common stock as of the reporting date. Cash received from stock options exercised for the years ended December 31, 2021, 2020 and 2019 was $6.7 million, $6.0 million and $4.4 million, respectively.

We have deferred compensation arrangements with certain officers, directors, and consultants, whereby these individuals agreed to take our common stock at a future date in lieu of cash payments at the time of service. The common stock is to be issued in conjunction with a "trigger event," as that term is defined in the individual agreements. At both December 31, 2021 and 2020, these individuals have earned, and we have reserved for future issuance, 4,500 shares of common stock pursuant to these arrangements. No equity-based deferred compensation arrangements were in effect during 2021, 2020 or 2019.

We have deferred compensation agreements with certain former officers whereby these individuals have deferred certain salary and bonus compensation which is deposited into the American Equity Officer Rabbi Trust (Officer Rabbi Trust). The assets of the Officer Rabbi Trust are included in our assets and a corresponding deferred compensation liability is recorded. The deferred compensation liability is recorded at the fair market value of the assets in the Officer Rabbi Trust with the change in fair value included as a component of compensation expense. The deferred compensation liability related to these agreements was $1.0 million and $0.8 million at December 31, 2021 and 2020, respectively. The Officer Rabbi Trust held 26,011 shares and 27,661 shares of our common stock at December 31, 2021 and 2020, respectively, which are treated as treasury shares.

14. Statutory Financial Information and Dividend Restrictions

Statutory accounting practices prescribed or permitted by regulatory authorities for our life insurance subsidiaries differ from GAAP. Net income (loss) for our primary life insurance subsidiary as determined in accordance with statutory accounting practices was as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
American Equity Life	$ (863,818)	$ (34,467)	$ 143,309

Statutory capital and surplus for our primary life insurance subsidiary was as follows:

	December 31,	
	2021	2020
	(Dollars in thousands)	
American Equity Life	$ 4,078,532	$ 3,728,732

The net loss realized by American Equity Life in accordance with statutory accounting practices for the year ended December 31, 2021 was primarily due to the impact of the recapture of the 2019 Hannover Agreement. American Equity Life is domiciled in the State of Iowa and is regulated by the Iowa Insurance Division. In some instances, the Iowa Insurance Division has adopted prescribed or permitted statutory accounting practices that differ from the required accounting outlined in National Association of Insurance Commissioners ("NAIC") Statutory Accounting Principles ("SAP"). For the year ended December 31, 2021, American Equity Life's use of prescribed statutory accounting practices resulted in lower statutory capital and surplus of $210.2 million relative to NAIC SAP due to its accounting for call option derivative instruments and fixed index annuity reserves. For the year ended December 31, 2020, American Equity Life's use of the same prescribed statutory accounting practice resulted in lower statutory capital and surplus of $366.3 million. We purchase call options to hedge the growth in interest credited on fixed index products. The Iowa Insurance Division allows an insurer to elect (1) to use an amortized cost method to account for such call options and (2) to use a fixed index annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero.

Life insurance companies are subject to the NAIC risk-based capital (RBC) requirements which are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. Calculations using the NAIC formula indicated that American Equity Life's ratio of total adjusted capital to the highest level of required capital at which regulatory action might be initiated (Company Action Level) is as follows:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Total adjusted capital	$ 4,437,574	$ 3,978,901
Company Action Level RBC	1,108,796	1,069,434
Ratio of adjusted capital to Company Action Level RBC	400 %	372 %

Prior approval of regulatory authorities is required for the payment of dividends to the parent company by American Equity Life which exceed an annual limitation. American Equity Life may pay dividends without prior approval, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) net gain from operations before net realized capital gains/losses for the preceding calendar year or, (2) 10% of the American Equity Life's surplus at the preceding year-end. The amount of dividends permitted to be paid by American Equity Life to its parent company without prior approval of regulatory authorities is $407.9 million as of December 31, 2021.

The Parent Company relies on its subsidiaries for cash flow, which has primarily been in the form of investment management fees and dividends. Retained earnings in our consolidated financial statements primarily represent undistributed earnings of American Equity Life. As such, our ability to pay dividends is limited by the regulatory restriction placed upon insurance companies as described above. In addition, American Equity Life retains funds to allow for sufficient capital for growth.

15. Commitments and Contingencies

We lease our home office space and certain equipment under various operating leases. Rent expense for the years ended December 31, 2021, 2020 and 2019 totaled $3.8 million, $4.2 million and $3.3 million, respectively. At December 31, 2021, the aggregate future minimum lease payments are $12.6 million. The following represents payments due by period for operating lease obligations as of December 31, 2021 (dollars in thousands):

Year Ending December 31:	
2022	$ 2,509
2023	2,296
2024	2,268
2025	2,154
2026	1,780
2027 and thereafter	1,567

We are occasionally involved in litigation, both as a defendant and as a plaintiff. In addition, state and federal regulatory bodies, such as state insurance departments, the Securities and Exchange Commission ("SEC") and the Department of Labor, regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws and the Employee Retirement Income Security Act of 1974, as amended.

In accordance with applicable accounting guidelines, we establish an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. As a litigation or regulatory matter is developing we, in conjunction with outside counsel, evaluate on an ongoing basis whether the matter presents a loss contingency that meets conditions indicating the need for accrual and/or disclosure, and if not, the matter will continue to be monitored for further developments. If and when the loss contingency related to litigation or regulatory matters is deemed to be both probable and estimable, we will establish an accrued liability with respect to that matter and will continue to monitor the matter for further developments that may affect the amount of the accrued liability.

There can be no assurance that any pending or future litigation will not have a material adverse effect on our business, financial condition, or results of operations.

In addition to our commitments to fund mortgage loans, we have unfunded commitments at December 31, 2021 to limited partnerships of $439.6 million and to fixed maturity securities of $26.4 million.

16. Earnings Per Common Share and Stockholders' Equity

Earnings Per Common Share

The following table sets forth the computation of earnings per common share and earnings per common share - assuming dilution:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands, except per share data)		
Numerator:			
Net income available to common stockholders - numerator for earnings per common share	$ 430,317	$ 637,945	$ 246,090
Denominator:			
Weighted average common shares outstanding	93,860,378	92,055,035	91,139,453
Effect of dilutive securities:			
Stock options and deferred compensation agreements	271,422	93,014	304,196
Restricted stock and restricted stock units	359,359	244,447	338,593
Denominator for earnings per common share - assuming dilution	94,491,159	92,392,496	91,782,242
Earnings per common share	$ 4.58	$ 6.93	$ 2.70
Earnings per common share - assuming dilution	$ 4.55	$ 6.90	$ 2.68

There were no options to purchase shares of our common stock outstanding excluded from the computation of diluted earnings per common share during the years ended December 31, 2021, 2020 and 2019, as the exercise price of all options outstanding was less than the average market price of our common shares for those periods.

Stockholders' Equity

On June 10, 2020, we issued 12,000 shares of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B ("Series B") with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $290.3 million.

On November 21, 2019 we issued 16,000 shares of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A ("Series A") with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $388.9 million. We used a portion of the proceeds to redeem all of our floating rate subordinated debentures. See *Note 12 - Subordinated Debentures* for more information on the redemption of our subordinated debentures.

Dividends on the Series A and Series B preferred stock are payable on a non-cumulative basis only when, as and if declared, quarterly in arrears on the first day of March, June, September and December of each year, commencing on March 1, 2020 for Series A and on December 1, 2020 for Series B. For the year ended December 31, 2021, we paid dividends totaling $23.8 million and $19.9 million on the Series A preferred stock and Series B preferred stock, respectively. For the year ended December 31, 2020, we paid dividends totaling $24.5 million and $9.0 million on the Series A preferred stock and Series B preferred stock, respectively. The Series A and Series B preferred stock rank senior to our common stock with respect to dividends, to the extent declared, and in liquidation, to the extent of the liquidation preference. The Series A and Series B preferred stock are not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions.

Brookfield Equity Investment

On October 18, 2020, we announced an agreement with Brookfield under which Brookfield will acquire up to a 19.9% ownership interest of common stock in the Company. The equity investment by Brookfield will take place in two stages: an initial purchase of a 9.9% equity interest at $37.00 per share which closed on November 30, 2020 with Brookfield purchasing 9,106,042 shares, and a second purchase of up to an incremental 10.0% equity interest, at the greater value of $37.00 per share or adjusted book value per share (excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives). The second equity investment is subject to finalization of a reinsurance transaction that closed on October 8, 2021, receipt of applicable regulatory approvals and other closing conditions. Regulatory approval related to the second equity investment was received on December 29, 2021 and an additional 6,775,000 shares were issued to Brookfield at $37.33 per share in January of 2022. Brookfield also received one seat on the Company’s Board of Directors following the initial equity investment.

Share Repurchase Program

On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. The purpose of the share repurchase program is to both offset dilution from the issuance of shares to Brookfield and to institute a regular cash return program for shareholders. We started the buyback program on October 30, 2020 and repurchased 5.1 million shares of our common stock for $149.4 million in the open market as of December 31, 2021. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock.

On November 30, 2020 we entered into an accelerated share repurchase (ASR) agreement with Citibank, N.A. to repurchase an aggregate of $115 million of our common stock. Under the ASR agreement, we received an initial share delivery of approximately 3.5 million shares. The final settlement of 0.5 million shares, which was based on the volume-weighted average price of our common stock during the term of the transaction, less a discount and subject to customary adjustments, was delivered on February 25, 2021. The average price paid for shares repurchased under the ASR was $28.45 per common share. The ASR agreement was determined to be an equity contract.

As of December 31, 2021, we had repurchased approximately 9.1 million shares of our common stock at an average price of $29.04 per common share. As of December 31, 2021, we had $736 million of Company stock authorized for repurchase by the Company's Board of Directors.

Through February 25, 2022, we have repurchased approximately 11.6 million shares of our common shares at an average price of $31.78 per common share and have approximately $630 million remaining under our share repurchase program.

Treasury Stock

As of December 31, 2021, we held 9,936,715 shares of treasury stock with a carrying value of $260.6 million. As of December 31, 2020, we held 6,516,525 shares of treasury stock with a carrying value of $151.6 million.

Schedule I—Summary of Investments—
Other Than Investments in Related Parties

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

December 31, 2021

Column A	Column B	Column C	Column D
Type of Investment	Amortized Cost (1)	Fair Value	Amount at which shown in the balance sheet
	(Dollars in thousands)		
Fixed maturity securities:			
Available for sale:			
United States Government full faith and credit	$ 37,109	$ 37,793	$ 37,793
United States Government sponsored agencies	1,008,920	1,040,953	1,040,953
United States municipalities, states and territories	3,495,563	3,927,201	3,927,201
Foreign government obligations	380,646	402,545	402,545
Corporate securities	31,084,629	34,660,234	34,660,234
Residential mortgage backed securities	1,056,778	1,125,049	1,125,049
Commercial mortgage backed securities	4,708,878	4,840,311	4,840,311
Other asset backed securities	5,226,660	5,271,857	5,271,857
Total fixed maturity securities	46,999,183	51,305,943	51,305,943
Mortgage loans on real estate	5,687,998	5,867,227	5,687,998
Real estate investments	335,767	337,939	337,939
Derivative instruments	402,877	1,277,480	1,277,480
Other investments	1,764,016		1,767,144
Total investments	$ 55,189,841		$ 60,376,504

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and short-term investments, original cost for derivative instruments and unpaid principal balance less allowance for credit losses for mortgage loans.

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Balance Sheets

(Dollars in thousands)

	December 31,	
	2021	**2020**
Assets		
Cash and cash equivalents	$ 362,245	$ 486,670
Equity securities of subsidiary trusts	2,353	2,343
Receivable from subsidiaries	2,783	2,418
Notes receivable from subsidiaries	165,000	—
Federal income tax recoverable, including amount from subsidiaries	217,174	—
Other assets	20,134	3,078
	769,689	494,509
Investment in and advances to subsidiaries	6,387,912	6,448,924
Total assets	$ 7,157,601	$ 6,943,433
Liabilities and Stockholders' Equity		
Liabilities:		
Notes payable	$ 496,250	$ 495,668
Subordinated debentures payable to subsidiary trusts	78,421	78,112
Deferred income taxes	223,304	590
Federal income tax payable	—	5,395
Other liabilities	36,499	14,680
Total liabilities	834,474	594,445
Stockholders' equity:		
Preferred stock, Series A	16	16
Preferred stock, Series B	12	12
Common stock	92,514	95,721
Additional paid-in capital	1,614,374	1,681,127
Accumulated other comprehensive income	1,848,789	2,203,557
Retained earnings	2,767,422	2,368,555
Total stockholders' equity	6,323,127	6,348,988
Total liabilities and stockholders' equity	$ 7,157,601	$ 6,943,433

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Operations

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Revenues:			
Net investment income	$ 114	$ 1,115	$ 1,755
Dividends from subsidiary trusts	159	167	469
Dividends from subsidiaries	250,000	—	—
Investment advisory fees	126,643	114,228	107,945
Surplus note interest from subsidiary	4,080	4,080	4,080
Change in fair value of derivatives	—	62	(1,650)
Loss on extinguishment of debt	—	(2,024)	(2,001)
Other revenue	8,511	346	—
Total revenues	389,507	117,974	110,598
Expenses:			
Interest expense on notes payable	25,581	25,552	25,525
Interest expense on subordinated debentures issued to subsidiary trusts	5,324	5,557	15,764
Other operating costs and expenses	72,435	46,686	28,357
Total expenses	103,340	77,795	69,646
Income before income taxes and equity in undistributed income of subsidiaries	286,167	40,179	40,952
Income tax expense	11,565	13,142	11,586
Income before equity in undistributed income of subsidiaries	274,602	27,037	29,366
Equity in undistributed income of subsidiaries	199,390	644,423	216,724
Net income	473,992	671,460	246,090
Less: Preferred stock dividends	43,675	33,515	—
Net income available to common stockholders	$ 430,317	$ 637,945	$ 246,090

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Operating activities			
Net income	$ 473,992	$ 671,460	$ 246,090
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for depreciation and amortization	1,232	1,138	1,136
Accrual of discount on equity security	(10)	(3)	(8)
Equity in undistributed income of subsidiaries	(199,390)	(644,423)	(216,724)
Non cash dividend from subsidiaries	(80,000)	—	—
Change in fair value of derivatives	—	(62)	945
Loss on extinguishment of debt	—	2,024	2,001
Accrual of discount on debenture issued to subsidiary trust	309	289	270
Share-based compensation	10,235	3,303	2,923
Deferred income taxes	222,714	6,408	2,087
Changes in operating assets and liabilities:			
Receivable from subsidiaries	(365)	(1,208)	(40)
Federal income tax recoverable/payable	(222,569)	(3,879)	382
Other assets	(5,054)	(320)	(1,229)
Other liabilities	21,819	7,617	(1,846)
Net cash provided by operating activities	222,913	42,344	35,987
Investing activities			
Notes receivable from subsidiaries	$ (165,000)	$ —	$ —
Repayment of equity securities	—	2,445	2,660
Contribution to subsidiaries	—	(210,000)	(50,000)
Purchases of property, plant and equipment	(12,642)	(48)	(117)
Net cash used in investing activities	(177,642)	(207,603)	(47,457)
Financing activities			
Repayment of subordinated debentures	$ —	$ (81,450)	$ (88,160)
Proceeds from issuance of common stock	4,844	338,061	1,691
Acquisition of treasury stock	(99,415)	(165,094)	—
Proceeds from issuance of preferred stock, net	—	290,260	388,893
Dividends paid on common stock	(31,450)	(28,859)	(27,304)
Dividends paid on preferred stock	(43,675)	(33,515)	—
Net cash provided by (used in) financing activities	(169,696)	319,403	275,120
Increase (decrease) in cash and cash equivalents	(124,425)	154,144	263,650
Cash and cash equivalents at beginning of year	486,670	332,526	68,876
Cash and cash equivalents at end of year	$ 362,245	$ 486,670	$ 332,526
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest on notes payable	$ 25,000	$ 25,000	$ 25,000
Interest on subordinated debentures	5,000	6,181	16,891

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Note to Condensed Financial Statements

December 31, 2021

1. Basis of Presentation

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of American Equity Investment Life Holding Company (Parent Company).

In the Parent Company financial statements, its investment in and advances to subsidiaries are stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition and net unrealized gains/losses on the subsidiaries' fixed maturity securities classified as "available for sale" and equity securities.

See *Note 11- Notes Payable and Amounts Due Under Repurchase Agreements* and *Note 12 - Subordinated Debentures* to our audited consolidated financial statements in this Form 10-K for a description of the Parent Company's notes payable and subordinated debentures payable to subsidiary trusts.

Schedule III—Supplementary Insurance Information

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E
	Deferred policy acquisition costs	Future policy benefits, losses, claims and loss expenses	Unearned premiums	Other policy claims and benefits payable
	(Dollars in thousands)			
As of December 31, 2021:				
Life insurance	$ 2,222,769	$ 65,477,778	$ —	$ 226,844
As of December 31, 2020:				
Life insurance	$ 2,225,199	$ 62,352,882	$ —	$ 240,904
As of December 31, 2019:				
Life insurance	$ 3,033,649	$ 62,261,244	$ —	$ 256,105

Column A	Column F	Column G	Column H	Column I	Column J
	Premium revenue	Net investment income	Benefits, claims, losses and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses
	(Dollars in thousands)				
For the year ended December 31, 2021:					
Life insurance	$ 300,833	$ 2,037,475	$ 2,543,779	$ 268,328	$ 274,617
For the year ended December 31, 2020:					
Life insurance	$ 290,609	$ 2,182,078	$ 744,389	$ 649,554	$ 214,745
For the year ended December 31, 2019:					
Life insurance	$ 263,569	$ 2,307,635	$ 2,865,621	$ 87,717	$ 195,442

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule IV—Reinsurance

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E	Column F
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percent of amount assumed to net
			(Dollars in thousands)		
Year ended December 31, 2021					
Life insurance in force, at end of year	$ 48,943	$ 5,131	$ 46,119	$ 89,931	51.28 %
Insurance premiums and other considerations:					
Annuity product charges	$ 262,982	$ 20,351	$ —	$ 242,631	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	58,150	117	169	58,202	0.29 %
	$ 321,132	$ 20,468	$ 169	$ 300,833	0.06 %
Year ended December 31, 2020					
Life insurance in force, at end of year	$ 52,234	$ 5,925	$ 49,577	$ 95,886	51.70 %
Insurance premiums and other considerations:					
Annuity product charges	$ 258,248	$ 7,021	$ —	$ 251,227	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	39,323	139	198	39,382	0.50 %
	$ 297,571	$ 7,160	$ 198	$ 290,609	0.07 %
Year ended December 31, 2019					
Life insurance in force, at end of year	$ 56,451	$ 6,722	$ 52,653	$ 102,382	51.43 %
Insurance premiums and other considerations:					
Annuity product charges	$ 247,827	$ 7,792	$ —	$ 240,035	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	23,395	145	284	23,534	1.21 %
	$ 271,222	$ 7,937	$ 284	$ 263,569	0.11 %

See accompanying Report of Independent Registered Public Accounting Firm.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements:

(1) Registration Statement (Form S-3 No. 333-233544) of American Equity Investment Life Holding Company
(2) Registration Statement (Form S-8 No. 333-238940) pertaining to the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan
(3) Registration Statement (Form S-8 No. 333-214885) pertaining to the American Equity Investment Life Holding Company 2013 Director Equity and Incentive Plan
(4) Registration Statement (Form S-8 No. 333-213545) pertaining to the American Equity Investment Life Holding Company 2016 Employee Incentive Plan
(5) Registration Statement (Form S-8 No. 333-175355) pertaining to the American Equity Investment Life Holding Company 2011 Director Stock Option Plan
(6) Registration Statement (Form S-8 No. 333-167755) pertaining to the American Equity Investment Life Holding Company 2009 Employee Incentive Plan, and
(7) Registration Statement (Form S-8 No. 333-127001) pertaining to the 1996 Stock Option Plan, 2000 Employee Stock Option Plan, 2000 Director Stock Option Plan, 1997 Management Subscription Rights Plan, and Restated and Amended Stock Option and Warrant Agreement with David J. Noble of American Equity Investment Life Holding Company

of our reports dated March 1, 2022, with respect to the consolidated financial statements and schedules of American Equity Investment Life Holding Company and subsidiaries as of December 31, 2021, and the effectiveness of internal control over financial reporting of American Equity Investment Life Holding Company and subsidiaries included in this Annual Report (Form 10-K) of American Equity Investment Life Holding Company for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 1, 2022

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statements (No. 333-233544, No. 333-213544, No. 333-207077, No. 333-201008, No. 333-184162, No. 333-183504, No. 333-171161, No. 333-149854, and No. 333-148681) on Form S-3 and the registration statements (No. 333-214885, No. 333-213545, No. 333-175355, No. 333-167755, and No. 333-127001) on Form S-8 of our report dated March 1, 2021, with respect to the consolidated financial statements and financial statement schedules I to IV of American Equity Investment Life Holding Company.

/s/ KPMG LLP

Des Moines, Iowa
March 1, 2022

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anant Bhalla, certify that:

1. I have reviewed this annual report on Form 10-K of American Equity Investment Life Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ Anant Bhalla
Anant Bhalla
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Axel Andre, certify that:

1. I have reviewed this annual report on Form 10-K of American Equity Investment Life Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ Axel Andre
Axel Andre
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Anant Bhalla, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

By: /s/ Anant Bhalla
Anant Bhalla
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Axel Andre, Chief Financial Officer and Executive Vice President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

By: /s/ Axel Andre
Axel Andre
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

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At American Equity Investment Life Holding Company, we think of ourselves as The Financial Dignity Company that offers solutions designed to create financial dignity in retirement. Our policyholders work with independent agents, banks and broker-dealers, through our wholly-owned operating subsidiaries, to choose one of our leading annuity products best suited for their personal needs. To deliver on our promises to policyholders, American Equity has reframed its investment focus, building a stronger emphasis on insurance liability driven asset allocation as well as the origination and management of private assets. Our company is headquartered in West Des Moines, Iowa with satellite offices slated to open in 2022 in Charlotte, NC and New York, NY. For more information, please visit www.american-equity.com.

6000 Westown Parkway
West Des Moines, Iowa 50266

515-221-0002
888-221-1234

www.american-equity.com

AMERICAN EQUITY™
INVESTMENT LIFE HOLDING COMPANY®

EXHIBIT 13(a)

Annual Report of Brookfield Reinsurance for the Year-End 2022

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-40509

BROOKFIELD REINSURANCE LTD.

(Exact name of Registrant as specified in its charter)

Bermuda

(Jurisdiction of incorporation or organization)

Ideation House, First Floor
94 Pitts Bay Road
Pembroke, HM08
Bermuda
+1 (441) 405-7811

(Address of principal executive offices)

Anna Knapman-Scott
Ideation House, First Floor
94 Pitts Bay Road
Pembroke, HM08
Bermuda
+1 (441) 405-7811

bnre.enquiries@brookfield.com

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Exchangeable Limited Voting Shares	BNRE	New York Stock Exchange, Toronto Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

9,594,989 Class A Exchangeable Limited Voting Shares, 24,000 Class B Limited Voting Shares, 40,934,623 Class C Non-Voting Shares, 98,351,547 Class A Junior Preferred Shares, Series 1 and 2,108,733 Class A Junior Preferred Shares, Series 2 as of December 31, 2022

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** ☐ **No** ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. **Yes** ☐ **No** ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of "accelerated filer", "large accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	☐	**Accelerated filer**	☒	**Non-accelerated Filer**	☐
				Emerging growth company	☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

☐ **U.S. GAAP**	☒ **International Financial Reporting Standards as issued by the International Accounting Standards Board**	☐ **Other**

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. **Item 17** ☐ **Item 18** ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** ☐ **No** ☒

TABLE OF CONTENTS

TABLE OF CONTENTS

(continued)

INTRODUCTION AND USE OF CERTAIN TERMS

Unless otherwise specified, information provided in this annual report on Form 20-F (this "**Form 20-F**") is as of December 31, 2022. Unless the context requires otherwise, when used in this Form 20-F, the terms "**we**", "**us**", "**our**", or the "**company**" means Brookfield Reinsurance Ltd. (formerly Brookfield Asset Management Reinsurance Partners Ltd.) together with all of its subsidiaries and the term "**Brookfield**" means Brookfield Corporation (formerly Brookfield Asset Management Inc.), its subsidiaries and controlled companies, including, unless the context otherwise requires, Brookfield Asset Management Ltd., and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

Unless otherwise noted or the context suggests otherwise, references to:

"**Administration Agreement**" means the amended and restated administration agreement between our company and Brookfield Corporation dated August 5, 2022;

"**AEILIC**" means American Equity Investment Life Insurance Company;

"**AEL Holdings**" means American Equity Investment Life Holding Company;

"**AEL Investment Agreement**" means the Investment Agreement dated as of October 17, 2020, between Brookfield Corporation, AEL Holdings and Burgundy Acquisitions I Ltd.;

"**Affiliated Rate Schedule**" has the meaning ascribed thereto under Item 7.B "Related Party Transactions — Conflicts of Interest";

"**Affiliated Services**" has the meaning ascribed thereto under Item 7.B "Related Party Transactions — Conflicts of Interest";

"**American National**" means American National Group, LLC;

"**ANICO**" means American National Insurance Company;

"**Argo Group**" means Argo Group International Holdings, Ltd.;

"**Argo Group Acquisition**" means the definitive merger agreement to acquire Argo Group at a price of $30 per share, for total consideration of approximately $1.1 billion;

"**Asset Management Company**" means Brookfield Asset Management ULC, which is owned 75% by Brookfield Corporation and 25% by Brookfield Asset Management;

"**ASU**" means the accounting standards update issued by the FASB;

"**ASU 2018-12**" means Accounting Standards Update No. 2018-12, Financial Services-Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts;

"**Audit Committee**" has the meaning ascribed thereto under Item 6.C "Board Practices — Audit Committee";

"**Awards**" has the meaning ascribed thereto under Item 6.B "Compensation — Executive Compensation — Cash Bonus and Long-Term Incentive Plans";

"**BAC**" means Brookfield Annuity Company;

“**BEAT**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to Taxation — U.S. Tax Risks — The U.S. federal base erosion and anti-abuse tax may significantly increase our tax liability”;

“**BEPS**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to Taxation — General Tax Risks — Our aggregate tax liability and effective tax rate could be adversely affected in the future by changes in the tax laws of the countries in which we operate, including as a result of ongoing efforts by the member countries of the Organisation for Economic Co-operation and Development”;

“**Bermuda Act**” means the Companies Act 1981 of Bermuda, as amended;

“**Bermuda ESA**” means the Economic Substance Act 2018 of Bermuda, as amended;

“**Bermuda Forum Provision**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to the Exchangeable Shares — Our bye-laws designate specific courts in Bermuda as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders’ ability to obtain a desired judicial forum for disputes with us”;

“**Bermuda Insurance Act**” means the Insurance Act 1978 of Bermuda, as amended;

“**Bermuda-U.S. Treaty**” means the income tax treaty between Bermuda and the United States;

“**BMA**” means Bermuda Monetary Authority;

“**BNRE Partnership**” means BAM Re Partners Trust;

“**BNRE Related Account Group**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating Our Relationship with Brookfield — Our organizational, ownership and operational management structure, and investment management relationship with Brookfield, give rise to conflicts of interest”;

“**Brookfield**” means Brookfield Corporation (formerly Brookfield Asset Management Inc.), its subsidiaries and controlled companies, including, unless the context otherwise requires, Brookfield Asset Management Ltd., and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries;

“**Brookfield Account**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to our Investments — We could suffer losses if our investment strategy is unsuccessful”;

“**Brookfield’s Annual Report**” means the annual reports of Brookfield Corporation on Form 40-F that are filed from time to time, including the annual report for the fiscal year ended December 31, 2022, which includes Brookfield Corporation’s (a) audited consolidated statements of financial position as of and for each of the two years in the period ended December 31, 2022 and December 31, 2021, together with the report thereon of the independent registered public accounting firm and management’s discussion and analysis as of December 31, 2022 and 2021 and for each of the two years in the period ended December 31, 2022 and 2021 and (b) annual information form for the year ended December 31, 2022 dated March 24, 2023;

“**Brookfield Arrangement**” means the court approved plan of arrangement of Brookfield Corporation as a result of which (i) Brookfield Asset Management acquired a 25% ownership interest in Asset Management Company (ii) the shareholders of Brookfield Corporation became shareholders of Brookfield Asset Management while retaining their shares of Brookfield Corporation, and (iii) Brookfield Asset Management Inc. changed its name to “Brookfield Corporation”;

"**Brookfield Asset Management**" means Brookfield Asset Management Ltd.;

"**Brookfield Asset Management Class A Shares**" means the class A limited voting shares of Brookfield Asset Management Ltd.;

"**Brookfield Class A Shares**" means the Class A limited voting shares of Brookfield Corporation;

"**Brookfield Class B Shares**" means the Class B limited voting shares of Brookfield Corporation;

"**Brookfield Credit Agreement**" or "**Credit Agreement**" has the meaning ascribed thereto under Item 10.C "Material Contracts — Brookfield Credit Agreement";

"**bye-laws**" means the second amended and restated bye-laws of our company adopted by our shareholders on June 24, 2022;

"**Captive**" has the meaning ascribed thereto under Item 7.B "Related Party Transactions — Conflicts of Interest";

"**Cayman ESA**" means the Economic Substance Act 2018 of the Cayman Islands, as amended;

"**Cayman Insurance Act**" means the Insurance Act, 2010, as amended;

"**CCPA**" means the California Consumer Privacy Act of 2018;

"**CDPA**" means the Virginia Consumer Data Protection Act;

"**Chair**" means the chairperson of the board;

"**CIMA**" means the Cayman Islands Monetary Authority;

"**CISSA**" has the meaning ascribed thereto under Item 4.B "Business Overview — Regulatory Framework — Bermuda — Commercial Insurer's Solvency Self-Assessment";

"**class A exchangeable shares**" means our class A exchangeable limited voting shares;

"**class A-1 exchangeable shares**" means our class A-1 exchangeable non-voting shares;

"**Class B Partners**" means the senior members of the Partnership, who collectively hold and control all of our company's outstanding class B shares through the BNRE Partnership;

"**class B shares**" means our class B limited voting shares;

"**class C shares**" means our class C non-voting shares;

Code" or "**U.S. Internal Revenue Code**" means the U.S. Internal Revenue Code of 1986, as amended;

"**Committees**" means the Audit Committee, Governance and Nominating Committee and Compensation Committee of our company;

"**Compensation Committee**" has the meaning ascribed thereto under Item 6.C "Board Practices — Compensation Committee";

"**Conflicts Committee**" has the meaning ascribed thereto under Item 7.B "Related Party Transactions — Conflicts of Interest";

"**Convention**" means the Canada-United States Income Tax Convention of 1980, as amended;

"**Conversion Blackout Period**" has the meaning ascribed thereto under Item 10.B "Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares — Conversion Right of Holders of Class A-1 Exchangeable Shares";

"**Conversion Notice**" has the meaning ascribed thereto under Item 10.B "Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares — Conversion Right of Holders of Class A-1 Exchangeable Shares";

"**Conversion Right**" has the meaning ascribed thereto under Item 10.B "Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares — Conversion Right of Holders of Class A-1 Exchangeable Shares";

"**CPA**" means the Colorado Privacy Act;

"**CRA**" means the Canada Revenue Agency;

"**Cross Account Group Transactions**" has the meaning ascribed thereto under Item 3.D "Risk Factors — Risks Relating Our Relationship with Brookfield — Our organizational, ownership and operational management structure, and investment management relationship with Brookfield, give rise to conflicts of interest";

"**DAC**" means deferred policy acquisition costs;

"**Dodd-Frank**" means the Dodd-Frank Wall Street Reform and Consumer Protection Act (United States);

"**DOE**" means Distributable Operating Earnings;

"**DTC**" means the Depository Trust Company;

"**EDGAR**" means the Electronic Data Gathering, Analysis, and Retrieval system at www.sec.gov;

"**Equity Commitment**" has the meaning ascribed thereto under Item 10.C "Material Contracts — Equity Commitment";

"**Equity Commitment Agreement**" has the meaning ascribed thereto under Item 10.C "Material Contracts — Equity Commitment";

"**ESG**" means environmental, social and governance;

"**Exchange Act**" means the Securities Exchange Act of 1934 (United States), as amended, and the rules and regulations promulgated from time to time thereunder;

"**exchangeable distribution**" has the meaning ascribed thereto under Item 10.B "Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares — Distributions";

"**exchangeable shares**" means the class A exchangeable shares and/or the class A-1 exchangeable shares, as applicable;

"**FASB**" means the Financial Accounting Standards Board;

"**FATCA**" has the meaning ascribed thereto under Item 3.D "Risk Factors — Risks Relating to Taxation — U.S. Tax Risks — We may become subject to U.S. withholding tax under FATCA";

"**FCRA**" means the Fair Credit Reporting Act (United States);

"**FINRA**" means the Financial Industry Regulatory Authority;

"**Form 20-F**" means this annual report on Form 20-F;

"**GDPR**" means the European Union's General Data Protection Regulation;

"**GLB**" means the Gramm-Leach-Bliley Act (United States);

"**Governance and Nominating Committee**" has the meaning ascribed thereto under Item 6.C "Board Practices — Governance and Nominating Committee";

"**Healthcare Act**" means the Patient Protection and Affordable Care Act of 2010 (United States);

"**HIPAA**" means the Health Insurance Portability and Accountability Act (United States);

"**Holder**" has the meaning ascribed thereto under Item 10.E "Taxation — Certain Material Canadian Federal Income Tax Considerations";

"**ICA**" means the *Insurance Companies Act* (Canada);

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board;

"**Investment Assets**" has the meaning ascribed thereto under Item 10.E "Taxation — Offshore Investment Fund Property";

"**Investment Company Act**" means the Investment Company Act of 1940 (United States);

"**Investment Management Agreements**" has the meaning ascribed thereto under Item 10.C "Material Contracts — Investment Management Agreements";

"**IRS**" means the Internal Revenue Service;

"**Issued Class A Junior Preferred Shares**" means collectively, the Class A Junior Preferred Shares, Series 1 and the Class A Junior Preferred Shares, Series 2 in the capital of the company;

"**Junior Preferred Shares**" means the class A junior preferred shares and the class B junior preferred shares in the capital of the company;

"**LIBOR**" means the London Inter-bank Offered Rate;

"**Licensing Agreement**" has the meaning ascribed thereto under Item 10.C "Material Contracts — Licensing Agreement";

"**NAIC**" means the National Association of Insurance Commissioners;

"**NEOs**" has the meaning ascribed thereto under Item 6.B "Compensation — Executive Compensation";

"**NER Ltd.**" means North End Re Ltd., a Bermuda exempted company;

"**NER SPC**" means North End Re (Cayman) SPC, a Cayman Islands exempted company registered as a segregated portfolio company;

"**Non-Resident Holder**" has the meaning ascribed thereto under Item 10.E "Taxation — Certain Material Canadian Federal Income Tax Considerations — Taxation of Holders not Resident in Canada";

"**North End Re**" means, collectively, NER Ltd. and NER SPC;

"**NYDFS**" means the New York Department of Financial Services;

"**NYSE**" means the New York Stock Exchange;

"**Oaktree**" means Oaktree Capital Group, LLC together with its affiliates;

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**OECD**" means Organisation for Economic Co-operation and Development;

"**OFAC**" means the Office of Foreign Assets Control;

"**OIFP Rules**" has the meaning ascribed thereto under Item 10.E "Taxation — Certain Material Canadian Federal Income Tax Considerations — Offshore Investment Fund Property";

"**ORSA**" has the meaning ascribed thereto under Item 4.B "Business Overview — Regulatory Framework — Canada — Own Risk and Solvency Assessment";

"**ORSA Report**" has the meaning ascribed thereto under Item 4.B "Business Overview — Regulatory Framework — United States — Risk Management and ORSA";

"**OSFI**" means The Office of the Superintendent of Financial Institutions (Canada);

"**Partner**" has the meaning ascribed thereto under Item 3.D "Risk Factors — Risks Relating to Our Relationship with Brookfield — Individuals who are members of the Partnership and also executives of Brookfield will exercise influence over our company and over any decisions requiring shareholder approval";

"**Partnership**" has the meaning ascribed thereto under Item 3.D "Risk Factors — Risks Relating to Our Relationship with Brookfield — Individuals who are members of the Partnership and also executives of Brookfield will exercise influence over our company and over any decisions requiring shareholder approval";

"**PFIC**" has the meaning ascribed thereto under Item 3.D "Risk Factors — Risks Relating to Taxation — U.S. Tax Risks — If our company is classified as a passive foreign investment company, U.S. persons who own class A exchangeable shares could be subject to adverse U.S federal income tax consequences";

"**Preferred Shares**" means collectively, the Junior Preferred Shares and the Senior Preferred Shares;

"**Proposed Amendments**" has the meaning ascribed thereto under Item 10.E "Taxation — Certain Material Canadian Federal Income Tax Considerations";

"**PRT**" means pension risk transfer;

"**QEF Election**" means the election by a U.S. Holder to treat its interest in our company as a "qualified electing fund";

"**Rate Schedule**" has the meaning ascribed thereto under Item 7.B "Related Party Transactions — Conflicts of Interest";

“**RBC**” has the meaning ascribed thereto under Item 4.B “Business Overview — Regulatory Framework — United States — Risk-Based Capital and Solvency Requirements”;

“**RDSP**” means registered disability savings plan;

“**Registered Plans**” has the meaning ascribed thereto under Item 10.E “Taxation — Certain Material Canadian Federal Income Tax Considerations — Eligibility for Investment”;

“**Regulatory Condition**” has the meaning ascribed thereto under Item 10.B “Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares — Conversion Right of Holders of Class A-1 Exchangeable Shares”;

“**Related Account Group Transactions**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to Our Relationship with Brookfield — Our organizational, ownership and operational management structure, and investment management relationship with Brookfield, give rise to conflicts of interest”;

“**Resident Holder**” has the meaning ascribed thereto under Item 10.E “Taxation — Taxation of Holders Resident in Canada”;

“**RESP**” means registered education savings plan;

“**Rights Agreement**” has the meaning ascribed thereto under Item 10.C “Material Contracts — Rights Agreement”;

“**RPII**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to Taxation — U.S. Tax Risks — If any of our non-U.S. subsidiaries is determined to have related person insurance income, U.S. persons who own class A exchangeable shares may be subject to U.S. federal income taxation on their pro rata share of such income”;

“**RPII CFC**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to Taxation — U.S. Tax Risks — If any of our non-U.S. subsidiaries is determined to have related person insurance income, U.S. persons who own class A exchangeable shares may be subject to U.S. federal income taxation on their pro rata share of such income”;

“**RRIF**” means registered retirement income fund;

“**RRSP**” means registered retirement savings plan;

“**S&P 500**” means the Standard & Poor’s 500 Index;

“**Sarbanes-Oxley Act**” means the Sarbanes-Oxley Act of 2002 (United States), as amended;

“**SEC**” means the U.S. Securities and Exchange Commission;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval at www.sedar.com;

“**Senior Preferred Shares**” means the class A senior preferred shares and the class B senior preferred shares in the capital of the company;

"**SOFR**” means the Secured Overnight Financing Rate;

“**Special Distribution**” has the meaning ascribed thereto under Item 4.A “History and Development of the Company — Recent Developments — 2022 — Special Distribution”;

“**specified exchange date**” has the meaning ascribed thereto under Item 10.B “Memorandum and Bye-Laws — Rights Agreement — The Rights Agent and the Exchange Right”;

“**Support Agreement”** has the meaning ascribed thereto under Item 10.C “Material Contracts — Support Agreement”;

“**Tax Act**” means the Income Tax Act (Canada);

“**Tax Cuts and Jobs Act**” means the Tax Cuts and Jobs Act of 2017;

“**TFSA**” means tax-free savings account;

“**Treasury Regulations**” means the U.S. Treasury Regulations promulgated under the U.S. Internal Revenue Code;

“**TSX**” means the Toronto Stock Exchange;

“**U.S.**” means United States;

“**U.S. Federal Forum Provision**” has the meaning ascribed thereto under Item 3.D “Risk Factors — Risks Relating to the Exchangeable Shares — Our bye-laws designate specific courts in Bermuda as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders’ ability to obtain a desired judicial forum for disputes with us”;

“**U.S. GAAP**” means U.S. generally accepted accounting principles;

“**U.S. Holder**” has the meaning ascribed thereto under Item 10.E “Taxation — Certain Material United States Federal Income Tax Considerations”;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated from time to time thereunder; and

“**unpaid distribution**” has the meaning ascribed thereto under Item 10.B “Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares — Distributions”.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 20-F contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the company and Brookfield's outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the company, Brookfield Corporation or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Several factors, including those described in this Form 20-F under Item 3.D "Risk Factors", Item 4.B "Business Overview" and Item 5.A "Operating Results", among others, could cause our actual results to vary from our forward-looking statements.

We caution that the factors that may affect future results described in this Form 20-F are not exhaustive. The forward-looking statements represent our views as of the date of this Form 20-F and should not be relied upon as representing our views as of any date subsequent to the date of this Form 20-F. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see Item 3.D "Risk Factors".

Each class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield Corporation as a whole. In addition to carefully considering the disclosure made in this Form 20-F, you should carefully consider the disclosure made by Brookfield Corporation in its continuous disclosure filings. Copies of Brookfield Corporation's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Historical Performance and Market Data

This Form 20-F contains information relating to our business as well as historical performance and market data. When considering this data, you should bear in mind that historical results and market data may not be indicative of the future results that you should expect from us.

Financial Information

The financial information contained in this Form 20-F is presented in U.S. dollars and, unless otherwise indicated, has been prepared in accordance with IFRS. All figures are unaudited unless otherwise indicated. In this Form 20-F, all references to "**$**" are to U.S. dollars. Canadian dollars are identified as "**C$**".

CAUTIONARY STATEMENT REGARDING THE USE OF NON-IFRS MEASURES

We prepare our financial statements in accordance with IFRS. However, this Form 20-F also contains references to Distributable Operating Earnings ("**DOE**"), Excess Capital and Net Reserve Capital which are not generally accepted accounting measures under IFRS and therefore may differ from definitions of DOE, Excess Capital and Net Reserve Capital used by other entities. We believe that DOE, Excess Capital and Net Reserve Capital are useful supplemental measures that may assist investors in assessing our financial performance. None of DOE, Excess Capital and Net Reserve Capital should be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS. These non-IFRS measures reflect how we manage our business and, in our opinion, enable the reader to better understand our business.

DOE is a key measure of our financial performance. We use DOE to assess operating results and the performance of our business. We define DOE as net income excluding the impact of depreciation and amortization, deferred income taxes, income from equity accounted investments, mark-to-market on hedging items, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. DOE is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by IFRS. DOE is therefore unlikely to be comparable to similar measures presented by other issuers.

For further details regarding our use of DOE, Excess Capital and Net Reserve Capital as well as a reconciliation of net income and total equity to these measures, please see the "Reconciliation of Non-IFRS Financial Measures" section in Item 5 "Operating and Financial Review and Prospects".

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A [RESERVED]

3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3.D RISK FACTORS

The following summarizes some, but not all, of the risks provided below. Please carefully consider all of the information discussed in this Item 3.D "Risk Factors" in this Form 20-F for a more thorough description of these and other risks.

Risks Relating to the Exchangeable Shares

- Risks relating to the market price of our exchangeable shares;
- Risks relating to the exchangeable shares not trading at the same price as the Brookfield Class A Shares;
- Risks relating to our company's ability to redeem the exchangeable shares at any time without the consent of the exchangeable shareholders;
- Risks relating to the inability of holders of exchangeable shares to elect whether to receive cash or Brookfield Class A Shares upon an exchange, liquidation or redemption event;
- Risks relating to delays in receiving Brookfield Class A Shares or the cash equivalent upon an exchange of the exchangeable shares;
- Risks relating to exchanges of exchangeable shares for Brookfield Class A Shares;
- Risks relating to the terms and ownership of our share capital, and our agreements with Brookfield;
- Risks relating to the possibility of class A exchangeable shares being de-listed;
- Risks relating to the volatility of the market price of our exchangeable shares and the price of exchangeable shares compared to Brookfield Class A Shares;
- Risks relating to the market price and possible dilution of Brookfield Class A Shares;
- Risks relating to the possible issuance of additional securities in the future and the rights and privileges attached to those shares, and the possible dilution to shareholders;
- Risks relating to distributions on the exchangeable shares;
- Risks relating to foreign currency risk;

- Risks relating to shareholder protections under Bermuda law, which differ from the protection offered to shareholders under Canadian law; and
- Risks relating to alternative judicial forums.

Risks Relating to our Company

- Risks associated with identifying and executing on opportunities for future growth;
- Risks relating to our operating subsidiaries;
- Risks associated with our company being a "SEC foreign issuer" under Canadian securities regulations and a "foreign private issuer" under U.S. securities law;
- Risks relating to the possibility of our company becoming an investment company under U.S. federal securities law;
- Risks associated with the effectiveness of our company's internal controls;
- Risks relating to changes in IFRS accounting standards; and
- Risks associated with service of process and enforcement of judgments.

Risks Relating to Our Operating Subsidiaries and Industry

- Risks associated with assumptions and estimates our company makes when assessing reinsurance and insurance risks;
- Risks relating to our growth strategy;
- Risks associated with raising additional capital to fund growth;
- Risks relating to our business operations and ability to appropriately distribute, execute and administer our policies and claims;
- Risks relating to advances in medical technology and their effect in certain segments of our business;
- Risks relating to catastrophic events;
- Risks relating to climate change, and increasing regulation with respect to climate change;
- Risks relating to our reinsurance arrangement with AEILIC accounts;
- Risks associated with our equity interest in AEL Holdings;
- Risks associated with a rating downgrade or the absence of a rating of any of our operating subsidiaries;
- Risks relating to market conditions;
- Risks associated with counterparties to our reinsurance arrangements or to the derivatives we use to hedge certain business risks;
- Risks relating to the highly competitive nature of the reinsurance and insurance industries;
- Risks relating to impact of technology on our business and cybersecurity attacks;
- Risks related to confidentiality of information;
- Risks associated with our company incurring additional indebtedness;
- Risks relating to general economic and political conditions and risks relating to the markets in which our company operates;
- Risks relating to changes in government policy and legislation;
- Risks relating to availability of capital in the future;

- Risks associated with our company suffering a loss resulting from fraud, bribery, corruption, other illegal acts, inadequate or failed internal processes or systems, or from external events;
- Risks associated with public health crises, illness, epidemics or pandemics;
- Risks associated with disputes and possible litigation; and
- Risks associated with negative publicity.

Risks Relating to Acquisition of Argo Group

- Risks relating to failure to complete acquisition of Argo Group; and
- Risks relating to failure to realize anticipated benefits of acquisition of Argo Group.

Risks Relating to Our Investments

- Risks associated with our investment strategy;
- Risks relating to changes in interest rates and credit spreads;
- Risks relating to inflation;
- Risks associated with our valuation of securities and investments and the determination of the amount of allowances and impairments taken on such investments;
- Risks associated with concentration risk in our investment portfolio;
- Risks associated with the company's assets being illiquid;
- Risks relating to our investments in real estate; and
- Risks relating to our company's possible investments in securities of issuers based outside the U.S.

Risks Relating to Regulation

- Risks associated with the insurance business being highly regulated;
- Risks relating to change of control approvals required by insurance laws and regulations in certain jurisdictions;
- Risks associated with regulatory requirements which may constrain our company's ability to complete acquisitions, dispositions and other transactions on desired terms, or at all;
- Risks associated with our failure to obtain or maintain licenses and/or other regulatory approvals as required for the operations of our insurance subsidiaries;
- Risks associated with any future regulatory changes which could result in the imposition of significant restrictions on our ability to do business;
- Risks relating to a decrease in applicable capital ratios/calculations of our insurance subsidiaries which could result in increased scrutiny by insurance regulators and rating agencies;
- Risks associated with potential government intervention in the insurance industry and instability in the marketplace for insurance products;
- Risks relating to the reinsurance and insurance regulatory framework and legislation enacted in Bermuda and the Cayman Islands;
- Risks relating to our employees in Bermuda and the Cayman Islands requiring work permits to run their reinsurance businesses in those jurisdictions;
- Risks relating to adverse change in regulatory requirements; and
- Risks relating to regulatory regimes and changes to accounting rules.

Risks Relating to Our Relationship with Brookfield

- Risks relating to individuals who are members of the Partnership and also executives of Brookfield;
- Risks relating to our dependence on Brookfield, and departure of some or all of Brookfield's professionals;
- Risks relating to our inability to terminate certain agreements entered into with Brookfield;
- Risks relating to leveraging Brookfield's investment management and asset allocation capabilities;
- Risks relating to our organizational, ownership and operational management structure and investment management relationship with Brookfield; and
- Risks relating to terms of arrangements with Brookfield.

Risks Relating to Taxation

- Risks relating to our aggregate tax liability and effective tax rate being adversely affected in the future by changes in the tax laws of the countries in which we operate;
- Risks relating to our company becoming subject to income tax in Bermuda;
- Risks under Canadian federal income tax law relating to the exchange of class A exchangeable shares for Brookfield Class A Shares;
- Risks relating to Canadian federal income tax treatment of dividends received or deemed to be received by Resident Holders on the class A exchangeable shares;
- Risks relating to changes in Canadian federal income tax law;
- Risks relating to qualified investments for Registered Plans;
- Risks relating to U.S. federal base erosion and anti-abuse tax;
- Risks relating to U.S. federal income taxation;
- Risks relating to changes in U.S. tax law;
- Risks relating to classification as passive foreign investment company;
- Risks relating to related person insurance income;
- Risks relating to sale or disposition of class A exchangeable shares by U.S. persons;
- Risks relating to U.S. withholding tax under FATCA;
- Risks relating to U.S. income tax associated with reinsurance between U.S. insurance companies and non-U.S. affiliates;
- Risks relating to treatment of class A exchangeable shares for U.S. federal income tax purposes; and
- Risks relating to U.S. federal income taxation of exchange of class A exchangeable shares for Brookfield Class A Shares.

You should carefully consider the following factors in addition to other information set forth in this Form 20-F. If any of the following risks were actually to occur, our business, financial condition and results of operations and the value of our exchangeable shares would likely suffer. Each exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of our exchangeable shares should be impacted by the market price of the Brookfield Class A Shares and the business performance of Brookfield Corporation. In addition to carefully considering the risk factors contained in this Form 20-F and described below, you should carefully consider the risk factors applicable to Brookfield Corporation included in its continuous disclosure documents. Copies of the Brookfield Corporation's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Risks Relating to the Exchangeable Shares

The exchangeable shares have been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share and therefore we expect that the market price of our exchangeable shares should be impacted by the market price of the Brookfield Class A Shares and the business performance of Brookfield Corporation.

The exchangeable shares have been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. In addition to contemplating distributions on the exchangeable shares paid at the same time and in the same amount as the dividends paid on the Brookfield Class A Shares, each exchangeable share is exchangeable at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the election of Brookfield Corporation), plus unpaid distributions. As a result, the business operations of Brookfield Corporation, and the market price of the Brookfield Class A Shares, are expected to impact the market price of our exchangeable shares, which could be disproportionate in circumstances where the business operations and results of our company on a standalone basis are not indicative of such market trends. Holders of our exchangeable shares have no ability to control or influence the decisions or business of Brookfield Corporation. You should therefore carefully consider the risk factors applicable to Brookfield Corporation's business and an investment in Brookfield Class A Shares, as further described in Brookfield's Annual Report.

Although the exchangeable shares have been structured with the intention of providing an economic return that is equivalent to one Brookfield Class A Share, our exchangeable shares may not trade at the same price as the Brookfield Class A Shares.

Although each of our exchangeable shares is structured with the intention of providing an economic return that is equivalent to one Brookfield Class A Share, there can be no assurance that the market price of our exchangeable shares will be equal to the market price of a Brookfield Class A Share at any time. Factors that could cause differences in the market prices between exchangeable shares and Brookfield Class A Shares may include:

- perception and/or recommendations by analysts, investors and/or other third parties that these securities should be priced differently;
- actual or perceived differences in distributions to holders of exchangeable shares versus dividends to holders of the Brookfield Class A Shares, including as a result of any legal prohibitions;
- business developments or financial performance or other events or conditions that may be specific to only to our company;
- difficulty in the exchange mechanics between exchangeable shares and Brookfield Class A Shares, including any delays; and
- or difficulties experienced by the transfer agent in processing the exchange requests.

Our company may redeem the exchangeable shares at any time without the consent of the exchangeable shareholders.

Our board may, subject to applicable law and the prior written consent of the holder of the class C shares, at any time, and without the consent of holders of exchangeable shares, elect to redeem all of the then outstanding exchangeable shares upon sixty (60) days' prior written notice, including following the occurrence of any of the following redemption events: (i) the total number of class A exchangeable shares outstanding decreases by 50% or more over any six-month period; (ii) the daily market value of the outstanding class A exchangeable shares (based on the closing price on the NYSE on each trading day) (A) is less than $250 million for more than 6 consecutive months or (B) decreases by 50% or more from its high over any three-month period; (iii) a person acquires 90% of the Brookfield Class A Shares in a take-over bid (as defined by applicable securities law); (iv) shareholders of Brookfield Corporation approve an acquisition of Brookfield Corporation by way of arrangement, amalgamation or similar transaction; (v) shareholders of Brookfield Corporation approve a restructuring or other reorganization of Brookfield Corporation or a liquidation, dissolution, winding up or any other distribution of Brookfield Corporation's assets among its shareholders for the purpose of winding up its affairs is pending; (vi) there is a pending sale of all or substantially all of the assets of Brookfield Corporation; (vii) there is a change of law (whether by legislative, governmental or judicial action), administrative practice or interpretation, or a change in circumstances of our company and our shareholders, that may result in adverse tax consequences for our company or our shareholders; or (viii) our board, in its sole discretion acting in good faith, concludes that the holders of exchangeable shares are adversely impacted by a fact, change or other circumstance relating to our company. In addition, Brookfield Corporation will have an overriding right to acquire all, but not less than all, of the exchangeable shares in the event our board elects to redeem all of the then outstanding exchangeable shares. See Item 10.B "Memorandum and Bye-Laws – Redemption".

Holders of exchangeable shares do not have a right to elect whether to receive cash or Brookfield Class A Shares upon an exchange, liquidation or redemption event.

In the event that (i) there is a liquidation, dissolution or winding up of our company or any other distribution of our company's assets among our shareholders for the purpose of winding up our affairs, including whether substantially concurrent with a liquidation, dissolution, winding up or any other distribution of Brookfield Corporation's assets among its shareholders for the purpose of winding up its affairs, (ii) our company exercises its right to redeem (or cause the redemption of) all of the then outstanding exchangeable shares, or (iii) a holder of exchangeable shares requests an exchange of exchangeable shares, holders of exchangeable shares (in the case of (iii) above, only such holder(s) exercising their exchange rights) shall be entitled to receive one Brookfield Class A Share per exchangeable share held (subject to adjustment to reflect certain capital events and certain other payment obligations in the case of a liquidation, dissolution or winding up of our company) or its cash equivalent. The form of payment will be determined at the election of our company or Brookfield Corporation, as applicable, or by the liquidator in the case of liquidation, so a holder will not know whether cash or Brookfield Class A Shares will be delivered in connection with any of the events described above. See Item 10.B "Memorandum and Bye-Laws – Exchange by Holder".

Any holder requesting an exchange of their exchangeable shares may experience a delay in receiving such Brookfield Class A Shares or the cash equivalent.

Each exchangeable share is exchangeable with Brookfield Corporation at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the election of Brookfield Corporation), subject to certain limitations as described below. See Item 10.B “Memorandum and Bye-Laws– Exchange by Holder”. If cash is used to satisfy an exchange request, the amount payable per exchangeable share will be equal to the NYSE closing price of one Brookfield Class A Share on the date that the request for exchange is received by the transfer agent. As a result, any changes in the market price of the Brookfield Class A Shares after that date will not alter the amount of cash consideration received. By contrast, any holder whose exchangeable shares are exchanged for Brookfield Class A Shares will not receive such Brookfield Class A Shares for up to ten (10) business days after the applicable request is received. During this period, the market price of Brookfield Class A Shares may decrease. Any such decrease would affect the value of the Brookfield Class A Share consideration to be received by the holder of exchangeable shares on the effective date of the exchange.

Brookfield Corporation is required to maintain an effective registration statement in order to exchange any exchangeable shares for Brookfield Class A Shares. If a registration statement with respect to the Brookfield Class A Shares issuable upon any exchange, redemption or acquisition of exchangeable shares (including in connection with any liquidation, dissolution or winding up of our company) is not current or is suspended for use by the SEC, no exchange or redemption of exchangeable shares for Brookfield Class A Shares may be effected during such period. In addition, for so long as there is not an effective registration statement with respect to the delivery of Brookfield Class A Shares in connection with the exchange right, Brookfield Corporation will not be able to effect exchanges for Brookfield Class A Shares and will not be required to effect exchanges for cash that would result in the payment of an amount in excess of $5,000,000 in the aggregate over any 30 consecutive calendar day period; provided that such limit will not apply for more than 90 consecutive calendar days during any 12 calendar month period. As a result, in these circumstances, holders of exchangeable shares may experience a delay in receiving cash on exercise of the exchange right.

Your investment may change upon an exchange of exchangeable shares for Brookfield Class A Shares.

If you exchange exchangeable shares pursuant to the terms set forth in our bye-laws and the Rights Agreement, you may receive Brookfield Class A Shares or cash in exchange for such exchangeable shares. To the extent that you receive Brookfield Class A Shares in any such exchange, you will become a holder of shares of a Canadian (OBCA) corporation rather than a holder of a security of a Bermuda company. Brookfield Corporation is organized as a corporation under the laws of Ontario, Canada, whereas our company is organized as a Bermuda company. Therefore, recipients of Brookfield Class A Shares following an exchange of exchangeable shares for Brookfield Class A Shares will have different rights and obligations, including voting rights, from those that they had prior to the consummation of the exchange as a holder of exchangeable shares. See Item 10.B “Memorandum and Bye-Laws – Comparison of the Rights of Holders of Class A Exchangeable Shares and Brookfield Class A Shares”.

The terms and ownership of our share capital, and our agreements with Brookfield, could discourage or inhibit takeovers, business combinations or other change of control transactions that our shareholders might consider in their best interests.

All of our outstanding class C shares are held by Brookfield Corporation. As the sole holder of our class C shares, Brookfield Corporation will have certain rights, including the right to consent to any merger or similar reorganization of the company (including a sale of all of substantially all of our company's assets), and the right to resolve that our company commence a voluntary liquidation in certain circumstances, including where more than 20% of the total number of the exchangeable shares outstanding are controlled by one person or group of persons acting jointly or in concert. See Item 10.B "Memorandum and Bye-Laws – Class C Shares – Liquidation". No consent or resolution of the class A exchangeable shares, class A-1 exchangeable shares, class B shares or any other class of shares is required in connection with the commencement of such liquidation by Brookfield Corporation. As the lender under our credit facility, Brookfield Corporation will also have certain consent rights over material changes relating to our company. Senior members of the Partnership, the Class B Partners, collectively hold and control all of our outstanding class B shares through the BNRE Partnership, and are entitled to elect one-half of the board and approve all other matters requiring shareholder approval, including the right to consent to any merger or similar reorganization of the company (including a sale of all of substantially all of our company's assets). See Item 7.A "Major Shareholders". Our bye-laws provide that the class B shares may only be transferred to a company controlled by one or more of the Partners or to Brookfield. These features of our share capital and ownership structure, and our agreements with Brookfield, could discourage potential acquirers from making a take-over bid or seeking to effect a change of control or business combination involving our company or make it difficult for any bid, change of control or business combination to be completed.

If a sufficient number of class A exchangeable shares are exchanged for Brookfield Class A Shares, then the class A exchangeable shares may be de-listed.

If a sufficient number of class A exchangeable shares are exchanged for Brookfield Class A Shares, or our company exercises our redemption right, subject to the prior written consent of the holder of the class C shares, at any time including if the total number of the class A exchangeable shares decreases by 50% or more over any twelve-month period, our company may fail to meet the minimum listing requirements on the NYSE and the TSX, and the NYSE or the TSX may take steps to de-list the class A exchangeable shares. Though holders of exchangeable shares will still be entitled to exchange each such share at any time for one Brookfield Class A Share (subject to adjustment to reflect certain capital events), or its cash equivalent (the form of payment to be determined at the election of Brookfield Corporation), a de-listing of the class A exchangeable shares would have a significant adverse effect on the liquidity of the class A exchangeable shares, and holders thereof may not be able to exit their investments in the market on favorable terms.

The market price of the exchangeable shares may be volatile, and there is no guarantee that the price of the exchangeable shares when compared to the Brookfield Class A Shares will be equal.

The market price of the exchangeable shares may be volatile. Holders of such securities may not be able to resell their securities at or above the current market price due to fluctuations in the market price of such securities, including changes in market price caused by factors unrelated to our company's operating performance or prospects. The historical trading price of class A exchangeable shares are not necessarily indicative of future value, and there is no guarantee that the price of the exchangeable shares when compared to the Brookfield Class A Shares will be equal. Specific factors that may have a significant effect on the market price of the exchangeable shares include:

- changes in stock market analyst recommendations or earnings estimates regarding the exchangeable shares or Brookfield Class A Shares, other companies that are comparable to our company or Brookfield Corporation or are in the industries that they serve;
- with respect to the exchangeable shares, changes in the market price of the Brookfield Class A Shares, and vice versa;

- changes in regulatory policies that may impact the business of company or Brookfield Corporation;
- changes in tax policies that may impact the treatment of distributions;
- actual or anticipated fluctuations in our company and Brookfield Corporation's operating results or future prospects;
- reactions to public announcements by our company and Brookfield Corporation;
- strategic actions taken by our company or Brookfield Corporation;
- adverse conditions in the financial market or general U.S. or international economic conditions, including those resulting from war, incidents of terrorism and responses to such events; and
- sales of such securities by our company, Brookfield Corporation or significant stockholders.

Exchanges of our exchangeable shares for Brookfield Class A Shares may negatively affect the market price of the Brookfield Class A Shares, and additional issuances of exchangeable shares would be dilutive to the Brookfield Class A Shares.

Each exchangeable share is exchangeable by the holder thereof for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the election of Brookfield Corporation), subject to certain limitations described under Item 10.B "Memorandum and Bye-Laws — Exchange by Holder". If Brookfield Corporation elects to deliver Brookfield Class A Shares in satisfaction of any such exchange request, additional Brookfield Class A Shares may be issued from time to time which could have a negative impact on the market price for Brookfield Class A Shares. Additionally, any exchangeable shares issued by our company in the future will be exchangeable on the same terms as the exchangeable shares distributed and any future exchanges satisfied by the delivery of Brookfield Class A Shares would dilute the percentage interest of existing holders of the Brookfield Class A Shares and may reduce the market price of the Brookfield Class A Shares.

We or Brookfield Corporation may issue additional shares in the future, including in lieu of incurring indebtedness, which may dilute shareholders. We or Brookfield Corporation may also issue securities that have rights and privileges that are more favorable than the rights and privileges accorded to our shareholders.

Subject to the terms of any of our securities then outstanding (including those imposed under applicable securities laws or stock exchange rules), we may issue additional securities, including class A exchangeable shares, class A-1 exchangeable shares, class B shares, class C shares, Senior Preferred Shares, Junior Preferred Shares, options, rights and warrants for any purpose and for such consideration and on such terms and conditions as our board may determine. Subject to the terms of any of our securities then outstanding, our board will be able to determine the class, designations, preferences, rights, powers and duties of any additional securities, including any rights to share in our profits, losses and dividends, any rights to receive our company's assets upon our dissolution or liquidation and any redemption, conversion and exchange rights. Subject to the terms of any of our securities then outstanding, our board may use such authority to issue such additional securities, which would dilute holders of such securities, or to issue securities with rights and privileges that are more favorable than those of our exchangeable shares.

Similarly, subject to the terms of any preferred shares of Brookfield Corporation (including those imposed under applicable securities laws or stock exchange rules) then outstanding, Brookfield Corporation may issue additional securities, including shares, preferred shares, options, rights, warrants and appreciation rights relating to Brookfield Corporation's securities for any purpose and for such consideration and on such terms and conditions as the board of Brookfield Corporation may determine. Subject to the terms of any of Brookfield Corporation's securities then outstanding, the board of Brookfield Corporation will be able to determine the class, designations, preferences, rights, powers and duties of any additional securities, including any rights to share in Brookfield Corporation's profits, losses and dividends, any rights to receive Brookfield Corporation's assets upon its dissolution or liquidation and any redemption, conversion and exchange rights. Subject to the terms of any of the Brookfield Corporation securities then outstanding, the board of Brookfield Corporation may use such authority to issue such additional securities, which would dilute holders of such securities, or to issue securities with rights and privileges that are more favorable than those of the Brookfield Class A Shares.

The sale or issuance of a substantial number of our class A exchangeable shares, class A-1 exchangeable shares, the Brookfield Class A Shares or other securities of our company or Brookfield Corporation in the public markets, or the perception that such sales or issuances could occur, could depress the market price of our exchangeable shares and impair our ability to raise capital through the sale of additional exchangeable shares. We cannot predict the effect that future sales or issuances of our class A exchangeable shares, class A-1 exchangeable shares, Brookfield Class A Shares or equity securities would have on the market price of our exchangeable shares. Subject to the terms of any of our securities then outstanding, holders of exchangeable shares will not have any pre-emptive right or any right to consent to or otherwise approve the issuance of any securities or the terms on which any such securities may be issued.

Our company cannot assure you that it will be able to pay distributions equal to the levels currently paid by Brookfield Corporation and holders of exchangeable shares may not receive distributions equal to the dividends paid on the Brookfield Class A Shares and, accordingly, may not receive the intended economic equivalence of those securities.

The exchangeable shares are intended to provide an economic return per exchangeable share equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events) and it is expected that distributions on our exchangeable shares will continue to be paid at the same time and in the same amount as dividends on the Brookfield Class A Shares. However, distributions are at the discretion of our board of directors and unforeseen circumstances (including legal prohibitions) may prevent the same distributions from being paid on each security. The payment of any return of capital distributions is subject to shareholder approval, which we intend to seek annually but which may not be obtained. In addition, the amount of any return of capital distributions on our exchangeable shares approved by shareholders could be less than the amount of the dividends declared by Brookfield Corporation on the Brookfield Class A Shares in respect of some quarters, including as a result of dividend increases made by Brookfield Corporation in between our annual shareholder meetings. Accordingly, there can be no assurance that holders of exchangeable shares will receive all distributions as a return of capital distribution or that distributions on the exchangeable shares will be paid at the same time and in the same amount as dividends on the Brookfield Class A Shares, which may impact the market price of the exchangeable shares.
Distributions on our exchangeable shares may not equal the levels currently paid by Brookfield Corporation for various reasons, including, but not limited to, the following:

- our company may not have enough unrestricted funds to pay such distributions due to changes in our company's cash requirements, capital spending plans, cash flow or financial position and may not have availability under the Equity Commitment, credit facility or other sources of funds;
- decisions on whether, when and in which amounts to make any future distributions will be dependent on then-existing conditions, including our company's financial conditions, earnings, legal requirements, including limitations under Bermuda law, restrictions on our company's borrowing agreements that limit our ability to pay distributions and other factors we deem relevant; and
- our company may desire to retain cash to improve our credit profile or for other reasons.

Non-U.S. shareholders are subject to foreign currency risk associated with our company's distributions.

A significant number of our shareholders reside in countries where the U.S. dollar is not the functional currency. Our distributions are denominated in U.S. dollars but are settled in the local currency of the shareholder receiving the distribution. For each non-U.S. shareholder, the value received in the local currency from the distribution will be determined based on the exchange rate between the U.S. dollar and the applicable local currency at the time of payment. As such, if the U.S. dollar depreciates significantly against the local currency of the non-U.S. shareholder, the value received by such shareholder in its local currency will be adversely affected.

Bermuda law differs from the laws in effect in Canada and may afford protection to shareholders that differs from the protection offered under Canadian law.

As a Bermuda company, we are governed by the Bermuda Act. Bermuda corporate law differs in some material respects from laws generally applicable to Canadian corporations, including the provisions relating to interested directors, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Under Bermuda law, the duties of directors and officers of a company are generally owed to the company only. Officers of a Bermuda company must, in exercising their powers and performing their duties, act honestly and in good faith with a view to the best interests of the company and must exercise the care and skill that a reasonably prudent person would exercise in comparable circumstances. Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of the company and may only do so in limited circumstances. See Item 10.B "Memorandum and Bye-Laws – Comparison of the Rights of Holders of Class A Exchangeable Shares and Brookfield Class A Shares".

Our bye-laws designate specific courts in Bermuda as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a desired judicial forum for disputes with us.

Pursuant to our bye-laws, unless we consent in writing to the selection of an alternative forum (and our company will always provide such consent with respect to the Superior Court of Justice of the Province of Ontario, Canada and appellate Courts thereof), the Supreme Court of Bermuda shall, to the fullest extent permitted by law, be the sole and exclusive forum for any dispute that arises concerning the Bermuda Act or out of or in connection with our bye-laws, including any question regarding the existence and scope of our bye-laws and/or whether there has been any breach of the Bermuda Act or our bye-laws by an officer or director (whether or not such a claim is brought in the name of a shareholder or in the name of our company, which we refer to as the Bermuda Forum Provision.) The Bermuda Forum Provision will not apply to any causes of action arising under the U.S. Securities Act or the Exchange Act. In addition, our bye-laws further provide that unless we consent in writing to the selection of an alternative forum, the federal courts of the United States shall be the sole and exclusive forum for resolving any complaint filed in the United States asserting a cause of action arising under the U.S. Securities Act, which we refer to as the U.S. Federal Forum Provision. In addition, our bye-laws provide that any person or entity purchasing or otherwise acquiring any interest in our exchangeable shares is deemed to have notice of and consented to the Bermuda Forum Provision and the U.S. Federal Forum Provision; provided, however, that shareholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Bermuda Forum Provision and the U.S. Federal Forum Provision in our bye-laws may impose additional litigation costs on shareholders in pursuing any such claims. Additionally, the forum selection clauses in our bye-laws may limit our shareholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage the filing of lawsuits against us and our directors, officers and employees, even though an action, if successful, might benefit our shareholders. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the U.S. Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts, including courts in Bermuda and other courts within the U.S. and Canada, will enforce our U.S. Federal Forum Provision. If the U.S. Federal Forum Provision is found to be unenforceable, we may incur additional costs associated with resolving such matters. The U.S. Federal Forum Provision may also impose additional litigation costs on shareholders who assert that the provision is not enforceable or invalid. The Supreme Court of Bermuda and the federal courts in the United States may also reach different judgments or results than would other courts, including courts where a shareholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our shareholders.

Risks Relating to our Company

The completion of growth initiatives, including executing future reinsurance arrangements and acquiring interests in existing reinsurance or insurance platforms, would significantly increase the scale and scope of our operations, which we may have difficulty managing, and which may involve risks to our business.

A key part of our growth strategy will involve executing new PRT arrangements and reinsurance contracts and may also include the acquisition of, or material investments in, existing reinsurance and insurance platforms. Such initiatives, if successful, would significantly increase the scale, scope and diversity of our business. While we have successfully executed transactions in the past to facilitate our growth to date, competition exists in the market for profitable reinsurance and PRT arrangements and businesses and we may not be successful in identifying and executing on future opportunities.

Future growth will likely involve some or all of the following risks, which could materially and adversely affect our business, financial condition or results of operations: the difficulty of integrating the acquired operations and personnel into our current operations; potential disruption of our current operations; diversion of resources; the difficulty of managing the growth of a larger organization; the risk of entering markets in which we have little experience; the risk of becoming involved in labor, commercial or regulatory disputes or litigation related to the new enterprise; risk of other liabilities associated with the acquired business; and the risk of a change of control resulting from an acquisition triggering rights of third parties or government agencies under contracts with, or authorizations held by the business being acquired. While we intend to conduct extensive due diligence investigations into portfolios and businesses being acquired, it is possible that due diligence may fail to uncover all material risks, or to identify a change of control trigger in a material contract or authorization, or that a contractual counterparty or government agency may take a different view on the interpretation of such a provision to that taken by us, thereby resulting in a dispute.

Our company's material assets consist predominantly of interests in our operating subsidiaries.

We depend in part on distributions and other payments from our operating subsidiaries to provide us with the funds necessary to meet our financial obligations. Our operating subsidiaries are legally distinct from our company and some of them are or may become restricted in their ability to pay distributions or otherwise make funds available to our company pursuant to local law, regulatory requirements and their contractual agreements, including agreements governing their financing arrangements. Our operating businesses will generally be required to satisfy their own working capital requirements and service any debt obligations before making distributions to our company. In the event that payments from our operating subsidiaries are insufficient to meet our financial obligations, we will be required to rely on our third party credit facilities as well as support provided by Brookfield Corporation pursuant to the Support Agreement, Brookfield Credit Agreement and Equity Commitment in order to satisfy such obligations.

Our company is a "SEC foreign issuer" under Canadian securities regulations and a "foreign private issuer" under U.S. securities law. Therefore, we are exempt from certain requirements of Canadian securities laws and from requirements applicable to U.S. domestic registrants listed on the NYSE.

Although our company is a reporting issuer in Canada, we are a "SEC foreign issuer" and exempt from certain Canadian securities laws relating to disclosure obligations and proxy solicitation, subject to certain conditions. Therefore, there may be less publicly available information in Canada about our company than would be available if we were a typical Canadian reporting issuer.

Although our company is subject to the periodic reporting requirements of the Exchange Act, the periodic disclosure required of foreign private issuers under the Exchange Act is different from periodic disclosure required of U.S. domestic registrants. Therefore, there may be less publicly available information about our company than is regularly published by or about other companies in the United States. Our company is exempt from certain other sections of the Exchange Act to which U.S. domestic issuers are subject, including the requirement to provide our shareholders with information statements or proxy statements that comply with the Exchange Act. In addition, insiders and large shareholders of our company are not obligated to file reports under Section 16 of the Exchange Act, and are permitted to follow certain home country corporate governance practices instead of those otherwise required under the NYSE Listed Company Manual for domestic issuers. Our company currently follows the same corporate practices as would be applicable to U.S. domestic companies under the U.S. federal securities laws and NYSE corporate governance standards. However, we may in the future elect to follow our home country law for certain of our other corporate governance practices, as permitted by the rules of the NYSE, in which case our shareholders would not be afforded the same protection as provided under NYSE corporate governance standards to U.S. domestic registrants. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. domestic company listed on the NYSE may provide less protection than is accorded to investors of U.S. domestic issuers.

We are subject to the risk of possibly becoming an investment company under U.S. federal securities law.

In the United States, the Investment Company Act of 1940 ("**Investment Company Act**") regulates certain companies that invest in or trade securities. We rely on an exemption from the definition of "investment company" in the Investment Company Act as a holding company that conducts all of its business operations through, and whose material assets consist of interests in, our operating subsidiaries. Our subsidiaries consist of an entity organized and regulated as an insurance company whose primary and predominant business activity is the writing of insurance and entities organized and regulated as foreign insurance companies that are engaged primarily and predominantly in the reinsurance of risks on insurance agreements. The law in this area is subjective and there is limited regulatory guidance as to the meaning of "primary and predominant" or "primarily and predominantly" in the relevant exemption to the Investment Company Act. For example, there is no formal standard for the amount of premiums that need to be written relative to the level of an entity's capital in order to qualify for the exemption. If this exemption were deemed inapplicable, we may, subject to the availability of other exemptions, have to seek to register under the Investment Company Act as an investment company which would require an order from the SEC. Our inability to obtain such an order could have a significant adverse impact on our business.

Assuming that we were permitted to register as an investment company, registered investment companies are subject to extensive, restrictive regulation relating to, among other things, operating methods, management, capital structure, leverage, dividends and transactions with affiliates, which would have a significant adverse impact on our business. Registered investment companies are not permitted to operate their business in the manner in which we operate our business as it is currently conducted, nor are registered investment companies permitted to have many of the relationships that we have with our affiliated companies.

If at any time it were established that we had been operating as an investment company in violation of the registration requirements of the Investment Company Act, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, or that we would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with us undertaken during the period in which it was established that we were an unregistered investment company.

To the extent that the laws and regulations change in the future so that contracts we write are deemed not to be reinsurance contracts, we will be at greater risk of not qualifying for the Investment Company Act exemption. Additionally, it is possible that our classifications as an investment company would result in the suspension or revocation of our insurance or reinsurance licenses.

Our failure to maintain effective internal controls could have a material adverse effect on our business in the future and the price of our exchangeable shares.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and stock exchange rules promulgated in response to the Sarbanes-Oxley Act. All of our current operating subsidiaries are, and potential future acquisitions will be, private companies and their systems of internal controls over financial reporting may be less developed as compared to public company requirements. Any failure to maintain adequate internal controls over financial reporting or to implement required, new or improved controls, or difficulties encountered in their implementation, could cause material weaknesses or significant deficiencies in our internal controls over financial reporting and could result in errors or misstatements in our consolidated financial statements that could be material. If we or our independent registered public accounting firm were to conclude that our internal controls over financial reporting were not effective, investors could lose confidence in our reported financial information and the price of our exchangeable shares could decline. Our failure to achieve and maintain effective internal controls could have a material adverse effect on our business, our ability to access capital markets and investors' perception of us. In addition, material weaknesses in our internal controls could require significant expense and management time to remediate.

Changes in accounting standards from IFRS to U.S. GAAP can be difficult to predict and could adversely impact how we record and report our financial condition and results of operations.

Beginning on January 1, 2023, our company adopted the United States generally accepted accounting principles ("**U.S. GAAP**"). Therefore, our financial statements will be subject to the application U.S. GAAP, which is periodically revised by the Financial Accounting Standards Board ("**FASB**"). Accordingly, from time to time we will be required to adopt new or revised accounting standards or interpretations issued by the FASB. The estimated impact of accounting pronouncements that have been issued but not yet implemented is disclosed in our reports filed with the SEC and SEDAR.

The FASB issued an accounting standards update ("**ASU**") in August 2018 that will result in significant changes to the accounting for long-duration insurance contracts, including that all of our variable annuity guarantees be considered market risk benefits and measured at fair value, whereas today a significant amount of our variable annuity guarantees are classified as insurance liabilities. The ASU became effective as of January 1, 2023. The impact of the new guidance on our variable annuity guarantees is highly dependent on market conditions, especially interest rates, as our stockholder's equity would decrease as interest rates decrease and increase as interest rates rise. We are, therefore, unable to estimate the ultimate impact of the ASU on our financial statements; however, at prevailing interest rate levels at the end of 2022, the ASU, upon adoption, could likely result in a material decrease in stockholder's equity, which could have a material adverse effect on our rating agency metrics and could consequently adversely impact our financial strength ratings and our ability to incur new indebtedness. In addition, the ASU will have a significant impact to the company's financial statements upon adoption and will also change the pattern of the company's earnings after the transition date, which may include an increase in the market sensitivity of our financial statements and results of operations. See "Item 3.D "Risk Factors — Risks Relating to Our Operating Subsidiaries and Industry — A rating downgrade or the absence of a rating of any of our operating subsidiaries or their wholly owned insurance companies could adversely affect our existing business and our ability to compete for further business."

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. U.S. GAAP is a continuously evolving set of financial accounting and reporting standards that governs the preparation of our financial statements. Changes to U.S. GAAP can be difficult to implement and can materially impact how we record and report our financial condition and results of operations. An upcoming change in U.S. GAAP that will impact how we record and report our financial condition and results of operations is Accounting Standards Update No. 2018-12, Financial Services-Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts ("**ASU 2018-12**"). The amendments in this update will change the accounting guidance we follow for long-duration insurance contracts. ASU 2018-12 will require us to update assumptions used in measuring future policy benefits, including mortality, persistency, and disability rates, at least annually instead of locking those assumptions at contract inception. In addition, the new standard requires differences in assumptions and actual performance be reflected in reserves as the experience occurs. ASU 2018-12 also includes changes to how we amortize DAC and determine and update the discount rate assumptions used in measuring future policy benefits reserves while increasing the level of financial statement disclosures required. The amendments in ASU 2018-12 are scheduled to be effective for the company beginning in 2023 as of the earliest period presented in the consolidated financial statements. We anticipate that the adoption of ASU 2018-12 will have a pervasive impact on our consolidated financial statements and related disclosures and will require changes to certain of our processes, systems, and controls. This new accounting standard, in addition to other financial reporting standard changes being discussed by the FASB and the SEC, could adversely impact both our financial condition and results of operations as reported on a U.S. GAAP basis.

The consolidated financial statements of the company contained in this Form 20-F have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. There are, and may continue to be, certain significant differences between IFRS and U.S. GAAP, including but not limited to potentially significant differences related to the accounting and disclosure requirements relating to insurance contracts, investments, other nonfinancial assets and taxation. As a result, our financial information and reported earnings for historical or future periods could be significantly different if they are prepared in accordance with U.S. GAAP, and you may not be able to meaningfully compare our historical financial statements under IFRS, including those contained in this Form 20-F, with those that we prepare under U.S. GAAP in the future. The transition from IFRS to U.S. GAAP may also increase our company's legal, audit, accounting and financial compliance costs, make some activities more difficult, time consuming or costly and may also place undue strain on our company's personnel, systems and resources.

Canadian and U.S. investors in our exchangeable shares may find it difficult or impossible to enforce service of process and enforcement of judgments against our company, our board and our executive officers.

We are incorporated under the laws of Bermuda, and a number of our subsidiaries are organized in jurisdictions outside of Canada and the United States. In addition, one of our executive officers is located outside of Canada and the United States. Further, certain of our assets are, and the assets of our directors and officers may be, located outside of Canada and the United States. It may not be possible for investors to effect service of process within Canada and the United States upon our directors and officers. It may also not be possible to enforce against us, the experts identified in this Form 20-F, or our directors and officers, judgments obtained in Canadian courts or U.S. courts predicated upon the civil liability provisions of applicable securities law in the United States.

Risks Relating to Our Operating Subsidiaries and Industry

Our company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity, could adversely affect our business, financial condition, results of operations, liquidity and cash flows.

Our company makes and relies on certain assumptions and estimates in order to make decisions regarding pricing, target returns, reserve levels and other factors affecting our business operations. Our underwriting results depend upon the extent to which our actual claims experience and benefit payments on our reinsurance contracts are consistent with the assumptions we use in setting prices and establishing liabilities for such contracts. Such amounts are established based on actuarial estimates of how much we will need to pay for future benefits and claims based on data and models that include many assumptions and projections, which are inherently uncertain and involve significant judgment, including assumptions as to the levels and/or timing of receipt or payment of premiums, benefits, claims, expenses, interest credits and investment results (including equity and other market returns). If our assumptions and estimates differ significantly from the actual outcomes and results, our business, financial condition, results of operations, liquidity and cash flows may be materially and adversely affected.

If we fail to assess accurately the risks we underwrite or fail to comply with our internal guidelines on underwriting, or if events or circumstances cause our underwriters' risk assessment to be incorrect, our premiums may prove to be inadequate to cover future benefit payments on our reinsurance contracts based on our actual claims experience. In particular, our company's PRT and annuity-based products expose our company to longevity risks. Longevity risk is the risk that the length of time we pay pension or annuity benefits may exceed that which we assumed in pricing our reinsurance contracts. The assessment of longevity risks is a key determinant of the pricing of a reinsurance treaty. Longevity products, including PRT and other annuity-based products, may experience adverse impacts due to higher-than-expected mortality improvement. In addition, there may be instances in which the proportion of policyholders who are married is higher than predicted. Longevity experience which is less favorable than the rates that we used in pricing a reinsurance agreement may cause our net income to be less than otherwise expected because the premiums we receive for the risks we assume may not be sufficient to cover the claims and profit margin.

We regularly review our reserves and associated assumptions as part of our ongoing assessment of our business performance and risks. If we conclude that our reserves are insufficient to cover actual or expected policy and contract benefits and claim payments as a result of changes in experience, assumptions or otherwise, we may update the assumptions used to calculate reserves for in-force business, which could result in additional assets needed to meet the higher expected annuity claims or earlier expected life claims. An increase in reserves due to revised assumptions would have an immediate impact on our results of operations and financial condition; however, economically the impact is generally long term as the excess outflow is paid over time.

We use a variety of strategies to manage longevity risks, including the use of reinsurance and derivative instruments. These strategies, however, may not be fully effective and may lead to payments to counterparties in excess of recoveries depending on how actual longevity experience emerges. Moreover, advances in technology, including predictive medical technology that enables consumers to select products better matched to their individual longevity risk profile and other medical breakthroughs that extend lives, could cause our future experience to deviate significantly from our actuarial assumptions, which could adversely impact the level of reserves and profitability.

Our company often relies on the policies, procedures and expertise of the ceding companies making the original underwriting decisions. Similar to the practice of other insurers, our company does not separately evaluate each of the individual risks assumed under reinsurance treaties or each claim incurred. Accordingly, our company is dependent on the information provided by the ceding companies (or their third-party administrators), and there can be no assurance that such ceding companies have adequately evaluated the risks to be reinsured. We may rely on the ceding companies to whom we provide reinsurance, or any third-party administrators with whom they contract, to provide policy administration and policyholder services and to provide timely and accurate financial and operating information to us. We cannot assure you that erroneous information we receive will be identified and resolved such that the information is included without error, which may impact our business and servicing quality and could have a material adverse effect on our business, financial condition and results of operations.

Our growth strategy includes our ability to contract with other insurance and reinsurance companies, often on large, complex transactions, and our ability to consummate these transactions on terms acceptable to us is uncertain. Even if we execute transactions on terms acceptable to us, the ability to realize the anticipated financial benefits from such transactions is uncertain.

We routinely review potential PRT arrangements and reinsurance transactions to grow our business, some of which may be material. There can be no assurance that any discussions will lead to definitive agreements or, if such agreements are reached, that any transactions will be consummated. Even if we identify suitable opportunities on terms acceptable to us, we may be unable to consummate these transactions due to required regulatory approvals or other reasons, many of which are outside of our control. If we are unable to consummate suitable PRT, reinsurance or similar transactions on terms acceptable to us, our business, financial condition, results of operations and future growth may be materially and adversely affected.

There is increasing competition in the reinsurance market, which may make it more difficult to identify transactions with terms that are acceptable to us based on our objectives and analyses.

The NAIC is considering insurance business transfer laws that permit insurers to transfer blocks of business to other insurers by operation of law. Such transfers could become a viable alternative structure to traditional block reinsurance transactions we intend to target and consequently may materially and adversely affect our ability to identify and enter into new block reinsurance transactions.

When we enter into a PRT arrangement or reinsurance contract, the transaction may not achieve the results we expected at the time we entered into the agreement. The terms we negotiate will be determined based on qualitative and quantitative factors, including our estimates and assumptions at such time. Actual results may materially differ from those estimates and assumptions due to various factors including, but not limited to, macroeconomic, asset or investment performance, business growth, demographic, policyholder behavior, regulatory and political conditions. In addition, we face risks associated with managing reinsured policies, such as maintaining adequate personnel and operational systems to manage such liabilities. A change in the operating systems we use to manage our liabilities, and/or the personnel responsible for overseeing such systems and administering the related policies, could disrupt our ability to adequately monitor and report our liabilities and administer these policies. As a result of such disruption, we may experience customer or counterparty complaints, regulatory intervention, or other adverse effects. As a result of the foregoing, we may realize materially less than the anticipated financial benefits from reinsurance transactions, or our reinsurance transactions may be unprofitable or result in losses.

We will require significant capital in order to continue to fund the growth of our business.

We may need to raise additional funds to continue to fund the growth of our business. With respect to future reinsurance transactions, there can be no assurance that we will have sufficient capital available, or to the extent we do have sufficient capital, that it will be available in the necessary entities, to continue growing this part of our business. In order to enter into reinsurance arrangements through our licensed operating subsidiaries, we need sufficient capital to be held by these entities. Our ability to move capital to these entities without adverse consequence may be limited by regulatory restrictions on dividends from our other subsidiaries, restrictions on intercompany transactions more generally, tax consequences or other considerations.

Brookfield Corporation has provided our company with the Equity Commitment in the amount of $2 billion to fund future growth as well as a revolving credit facility in the amount of $400 million for working capital purposes, each of which we may draw on from time to time. Our company has also established credit facilities with third party lenders. To the extent our operations do not generate sufficient operating cash flow to fund working capital, we intend to use the liquidity provided by the Equity Commitment and other available credit facilities (including under the Brookfield Credit Agreement) for working capital purposes and to fund distributions. We may also use the proceeds from the Equity Commitment to fund growth capital investments and acquisitions.

Our business operations depend on our ability to appropriately distribute, execute and administer our policies and claims.

The success of our U.S. direct insurance business is primarily dependent on writing and servicing life, annuity, property and casualty, and health insurance for individuals, families and businesses. Any problems or discrepancies that arise in our pricing, underwriting, billing, processing, claims handling or other practices, whether as a result of employee error, vendor error, or technological problems, could have a negative effect on operations and reputation, particularly if such problems or discrepancies are replicated through multiple policies.

Advances in medical technology may adversely affect certain segments of our business.

Genetic testing and diagnostic imaging technology is advancing rapidly. Increases in the prevalence, availability (particularly in the case of direct to consumer genetic testing) and accuracy of such testing may increase our adverse selection risk, as people who learn that they are predisposed to certain medical conditions associated with reduced life expectancy may be more likely to purchase and maintain life insurance. Conversely, people who learn that they lack genetic predisposition to conditions associated with reduced life expectancy may forego the purchase of life insurance, or permit existing policies to lapse, and may be more likely to purchase certain annuity products. Our access to and ability to use medical information, including the results of genetic and diagnostic testing, that is known to our prospective policyholders is important to our underwriting of life insurance and annuities. All of the jurisdictions in which our businesses operate limit and/or restrict insurers' access and use of genetic information, and similar additional regulations and legislation may be adopted. Such regulation and legislation likely would exacerbate adverse risk selection related to genetic and diagnostic testing, which may in turn have an adverse effect on our businesses.

In addition to earlier diagnosis and knowledge of disease risk, medical advances may increase overall health and longevity. If this were to occur, the duration of payments made under certain of our annuity products would be extended beyond our actuarial assumptions, reducing the profitability of such business. This may require us to modify our assumptions, models or reserves.

We may incur significant losses resulting from catastrophic events.

Property and casualty operations within our U.S. direct insurance business are exposed to catastrophes caused by natural events, such as floods, hurricanes, tornadoes, wildfires, droughts, earthquakes, snow, hail and windstorms, and manmade events, such as terrorism, riots, explosions, hazardous material releases, and utility outages. Life and health insurance operations within our U.S. direct insurance business are exposed to the risk of catastrophic mortality or illness, such as a pandemic, an outbreak of an easily communicable disease, or another event that causes a large number of deaths or high morbidity. Our investment operations are exposed to catastrophes as a result of direct investments and mortgages related to real estate and certain similarly structured infrastructure loans. Our operating results may vary significantly from one period to the next since the likelihood, timing, severity, number or type of catastrophe events cannot be accurately predicted. Our losses in connection with catastrophic events are primarily a function of the severity of the event and the amount of our exposure in the affected area.

Climate change, and increasing regulation with respect to climate change, may adversely impact our results of operations.

There are concerns that the increased frequency and severity of weather-related catastrophes and other losses, such as floods, hurricanes and wildfires, incurred by the industry in recent years are indicative of changing weather patterns, whether as a result of global climate change caused by human activities or otherwise, which could cause such events to persist. Increased weather-related catastrophes would lead to higher overall losses, which we may not be able to recoup, particularly in a highly regulated and competitive environment, and higher reinsurance costs. Increased weather-related catastrophes could also result in increased credit exposure to reinsurers and other counterparties with which we do business. Certain catastrophe models assume an increase in frequency and severity of certain weather or other events, which could result in a disproportionate impact on insurers with certain geographic concentrations of risk. This would likely increase the risks of writing property insurance in coastal areas or areas susceptible to wildfires or flooding, particularly in jurisdictions that restrict pricing and underwriting flexibility. The threat of rising seas or other catastrophe losses as a result of climate change may also cause property values in coastal or such other communities to decrease, reducing the total amount of insurance coverage that is required. Climate change-related risks also present challenges to our ability to effectively underwrite, model and price risk.

In addition, climate change could have an impact on assets in which we invest, resulting in realized and unrealized losses in future periods that could have a material adverse impact on our results of operations and/or financial position. Such investment risks can include, but are not limited to, changes in supply and demand characteristics for fossil fuels, advances in low-carbon technology and renewable energy development, effects of extreme weather events on the physical and operating exposure of industries and issuers, and the transition that issuers make towards addressing climate risk in their own businesses. It is not possible to foresee with certainty which, if any, assets, industries or markets will be materially and adversely affected, nor is it possible to foresee the magnitude of such effect.

Moreover, we cannot predict how legal, regulatory and social responses to concerns about climate change will impact our business or the value of our investments. We are subject to complex and changing regulation and public policy debates relating to climate change that are difficult to predict and quantify and that may have an adverse impact on our business. For example, in November of 2021, the New York Department of Financial Services ("**NYDFS**") finalized its "Guidance for Domestic Insurers on Managing the Financial Risks from Climate Change." In general, the guidance provides that a New York-domiciled insurer should integrate consideration of climate risks into its governance structure at the insurer or group level, consider the impact of climate-related factors on its business decisions using time horizons that are tailored to the insurer and its activities, incorporate climate risks into its existing financial risk management framework, use scenario analysis to inform business strategies and risk identification and assessment, and disclose its climate risks and engage with the Task Force on Climate-related Financial Disclosures and other initiatives when developing disclosure approaches. In addition, the NAIC and federal agencies, including the SEC and Federal Insurance Office, are increasingly focused on assessment and disclosure of climate change risks. In March 2022, the SEC proposed new rules that, among other matters, will seek to standardize and establish a framework for reporting of climate-related risks. To the extent the proposed rules impose additional reporting obligations, we could face increased costs. Separately, the SEC has also announced that it is scrutinizing existing climate-change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege our existing climate disclosures are misleading or deficient. In April 2022, the NAIC Climate Risk & Resiliency Task Force released a new climate risk disclosure survey, and the NAIC Plenary adopted the redesigned climate risk disclosure survey as a voluntary risk management tool available for state insurance regulators to use to assess an insurer's climate-related risks. The domestic insurance companies within our holding company system that are required to respond to the climate risk disclosure survey complied with such new reporting standard in 2022. The NAIC also continues to contemplate enhancements to the Financial Condition Examiners Handbook and the ORSA Guidance Manual to address climate change risks and their impact on solvency. Governmental guidance or regulations relating to climate change, or our own leadership decisions implemented as a result of assessing the impact of climate change on our business, may increase our costs of doing business. Additionally, the BMA has issued a new guidance note on the management of climate risk for commercial insurers. The guidance note sets out the BMA's expectations, the implementation of which is anticipated to be phased in beginning in 2025 for commercial insurers and insurance groups with respect to their management and reporting of climate change risks. The expectations of the BMA focus on corporate governance and risk management practices for climate risk in the context of environmental, social and governance risks of insurance business conducted by such insurers. Insurers will be monitored by the BMA to determine whether they have assessed their credit risk as well as counterparty risk exposures with respect to climate risks and the impact on their statutory capital and surplus. The BMA expects insurers to ensure their governance structure and governance processes each include a forward-looking, prudent, and responsible approach to handling all aspects of climate risks.

In addition, in March 2023, OSFI issued its "Guideline B-15: Climate Risk Management", which sets out OSFI's expectations for the management of climate-related risks. The guideline presents three expected outcomes for institutions to achieve: (i) understanding and mitigating against potential impacts of climate-related risks to its business model and strategy; (ii) appropriate governance and risk management practices to manage identified climate-related risks; and (iii) remaining financially resilient through severe, yet plausible, climate risk scenarios, and operationally resilient through disruption due to climate-related disasters.

Our reinsurance arrangement with AEILIC accounts for a substantial portion of our business.

In connection with our strategic arrangement with AEL Holdings, we have agreed to reinsure up to approximately $10 billion of annuity products issued by AEILIC, a subsidiary of AEL Holdings. Under the agreement, we reinsured an initial block of approximately $4 billion of in-force policies, and agreed to reinsure up to an additional approximately $6 billion of AEL Holding's "IncomeShield" or other mutually agreed liabilities issued by AEILIC on a flow basis. As of December 31, 2022, we have reinsured approximately $5.5 billion of liabilities under our reinsurance agreement with AEILIC. In the event that AEILIC fails to underwrite the incremental business for us to reinsure, our expectations regarding future cash flows, operating results, financial condition and growth strategy would be materially and adversely affected.

We hold a significant equity interest in AEL Holdings, the value of which could decline due to factors outside of our control, and we are subject to restrictions on transfer of such AEL Holdings common shares under the terms of the AEL Investment Agreement.

Our company currently holds approximately 18.74% of the issued and outstanding common shares of AEL Holdings. The value of our equity investment in AEL Holdings is subject to all of the risks relating to ownership of equity in AEL Holdings as described in its public disclosure filings, as well as risks relating to the investment in equity securities generally such as market volatility and market disruption, changes in interest and currency exchange rates, equity prices and other economic and business factors beyond our control. Subject to certain limited exceptions, under the terms of the AEL Investment Agreement, we will not be permitted to transfer the 6,775,000 of the AEL Holdings shares (approximately 7.9% of the issued and outstanding common shares of AEL Holdings) we own until January 7, 2024. In addition, until November 30, 2025, we are subject to customary standstill obligations that restrict us from, among other things, purchasing additional AEL Holdings common shares, selling our AEL Holdings common shares to activists or competitors and taking or supporting certain shareholder actions, subject to certain limited exceptions. As a result of the foregoing restrictions, we may not be permitted to transfer our AEL Holdings common shares and any decline in the value of our AEL Holdings common shares could result in returns that are lower than anticipated or even in the investment being lost completely.

A rating downgrade or the absence of a rating of any of our operating subsidiaries or their wholly owned insurance companies could adversely affect our existing business and our ability to compete for further business.

Financial strength ratings are an important competitive factor in the insurance and reinsurance industries. Ratings organizations periodically review the financial performance and condition of insurers and reinsurers. Ratings are based on a company's ability to pay its obligations and are not directed toward the protection of investors. Ratings organizations assign ratings based upon several factors, including historical experience, and while most of these factors relate to the underlying company, some of the factors relate to general economic conditions and circumstances outside the company's control. Ratings are subject to revision or withdrawal at any time by the assigning ratings organization. Financial strength ratings are directed toward policyholders and not holders of securities, and are not a recommendation to buy, sell or hold securities, and each rating should be evaluated independently of any other rating. There can be no assurance that the financial strength rating assigned to any of our operating subsidiaries will remain in effect for any given period of time or that the rating will not be lowered, withdrawn or revised by the rating agency at any time.

Any downgrade in the financial strength rating of any of our operating subsidiaries could adversely affect our company's ability to sell products, retain existing business and compete for attractive acquisition opportunities and could result in our company being removed from the approved lists of some customers and may adversely affect the ability of our company to write business to such customers. Some of the reinsurance treaties our company may enter into permit customers to reassume all or a portion of the risk formerly ceded to us due to, among other things, changes in the financial condition or ratings of our operating subsidiaries. Accordingly, we may suffer a loss of business as a result.

In addition, a significant downgrade in a rating or outlook of any of our operating subsidiaries or their wholly owned insurance companies, among other factors, could adversely affect our ability to raise and then contribute capital to our subsidiaries for the purpose of facilitating or supporting their business or any reinsurance opportunities that may arise and may also increase our cost of capital. Accordingly, a ratings downgrade of any such subsidiaries could adversely affect our ability to conduct business, including reducing new sales of insurance products or increasing the number or amount of surrenders and withdrawals, requiring us to offer higher crediting rates or greater policyholder guarantees on our insurance products in order to remain competitive, affecting our relationships with independent sales intermediaries and credit counterparties and affecting our ability to obtain reinsurance at reasonable prices.

There is no assurance that our operating subsidiaries or their wholly owned insurance companies will be able to maintain or obtain a rating.

No assurance can be provided that any action taken by a rating agency would not result in a material adverse effect on the business of our company and/or the results of operations, financial condition, liquidity or prospects of our company.

If market conditions cause reinsurance to be more costly or unavailable, we may be required to bear increased risks or reduce the level of our underwriting commitments.

As part of our overall risk and capacity management strategy, we may choose to purchase reinsurance for certain amounts of risk underwritten within our direct insurance or PRT businesses. We may also look to retrocede certain amounts of risk we assume under our reinsurance agreements. Market conditions beyond our control determine the availability and cost of the reinsurance protection we seek to purchase, which may affect the level of our businesses and profitability. The premium rates and other fees that we charge are based, in part, on the assumption that reinsurance will be available at a certain cost. Accordingly, we may be forced to incur additional expenses for reinsurance, which could adversely affect our ability to write future business. In addition, we may be unable to obtain reinsurance on terms acceptable to us relating to certain lines of business that we intend to begin underwriting.

If the counterparties to our reinsurance arrangements or to the derivatives we use to hedge our business risks default or fail to perform, we may be exposed to risks we had sought to mitigate, which could materially and adversely affect our financial condition and results of operations.

We use reinsurance and derivatives to mitigate our risks in various circumstances. In general, reinsurance and derivatives do not relieve us of our direct liabilities. Accordingly, we bear credit risk with respect to our counterparties. A counterparty's insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements, indemnity agreements or derivatives agreements with us or inability or unwillingness to return collateral could have a material adverse effect on our financial condition and results of operations. While we may manage these risks through transaction-related diligence, contract terms, collateral requirements, hedging, and other oversight mechanisms, our efforts may not be successful.

In addition, we use derivatives to hedge various business risks. We enter into a variety of derivatives, including options, forwards, interest rate, credit default and currency swaps with a number of counterparties on a bilateral basis for uncleared OTC derivatives and with clearing brokers and central clearinghouses for OTC-cleared derivatives (OTC derivatives that are cleared and settled through central clearing counterparties). If our counterparties, clearing brokers or central clearinghouses fail or refuse to honor their obligations under these derivatives, our hedges of the related risk will be ineffective. Such failure could have a material adverse effect on our financial condition and results of operations. We seek to reduce the risks associated with such derivative transactions by entering into such agreements with large, well-established financial institutions. However, there can be no assurance that we will not suffer losses in the event of a derivative counterparty fails to perform or fulfill its obligations.

The reinsurance and insurance industries are highly competitive; competitive pressures may result in fewer reinsurance contracts underwritten, lower premium rates, increased expense for customer acquisition and retention and less favorable policy terms and conditions.

We operate in highly competitive markets. Customers may evaluate us and our competitors on a number of factors, including capital and perceived financial strength, underwriting capacity, expertise, innovation, local presence, reputation, experience and qualifications of employees, client relationships, geographic scope of business, products and services offered (including ease of doing business over the electronic placement platforms), premiums charged, ratings assigned by independent rating agencies, contract terms and conditions and the speed of claims payment.

Within our U.S. direct insurance business, strong competition for customers has led to increased marketing and advertising by our competitors, many of whom have well-established national reputations and greater financial and marketing resources, as well as the introduction of new insurance products and aggressive pricing. These competitive pressures could result in increased pricing pressures on a number of our products and services, particularly as competitors seek to win market share, and may limit our ability to maintain or increase our profitability. Because of its relatively low cost of entry, the Internet has emerged as a significant place of new competition, both from existing competitors and new competitors. In addition, product development and life-cycles have shortened in many product segments, leading to intense competition with respect to product features.

We compete for customers' funds with a variety of investment products offered by financial services companies other than insurance companies, such as banks, investment advisors, mutual fund companies and other financial institutions. Moreover, customer expectations are evolving as technology advances and consumers become accustomed to enjoying tailored, easy to-use-services and products from various industries. This is reshaping and raising consumer expectations when dealing with insurance. We are addressing these changing consumer expectations by investing in technology with a particular focus on consumer-facing sales and service platforms, by internally promoting a strategically-focused innovative culture initiative, and by creating internal forums to drive next generation solutions based on consumer insights. However, if we cannot effectively respond to increased competition and such increased consumer expectations, we may not be able to grow our business or we may lose market share.

We compete with other insurers for producers primarily on the basis of our financial position, reputation, longevity, support services, compensation, product features and pricing. We may be unable to compete for producers with insurers that adopt more aggressive pricing or compensation, that offer a broader array of products or packages of products, or that have extensive promotional and advertising campaigns. Attracting qualified individuals and retaining existing employees continues to be a challenge for employers. Businesses have become extremely competitive in the ever-changing landscape of the talent marketplace. As a result, it is an increasing challenge to distinguish us as an employer of choice.

Within each of our businesses, we directly compete with a number of well-established players and new entrants in the industries, including reinsurance and insurance companies, financial institutions, and traditional and alternative asset managers. Our competitors vary by offered product line and covered territory. Our competition primarily includes other reinsurance and insurance companies, larger-scale pension plans and asset management firms that provide long duration capital. Some of these competitors have greater financial resources, have established long term and continuing business relationships throughout their respective industries, have greater market share, assume a greater level of risk while maintaining financial strength ratings, or have higher financial strength, claims-paying or credit ratings than we do, each of which can be a significant competitive advantage. In addition, the lack of strong barriers to entry into the reinsurance business and the entry of alternative capital markets products and vehicles provide additional sources of reinsurance and insurance capacity and increased competition.

We compete with new companies that enter the reinsurance and insurance markets, particularly companies with new or “disruptive” technologies or business models. Certain technology companies and other third parties have created, and may in the future create, technology-enabled business models, processes or platforms that may adversely impact our competitive position. New services and technologies can affect the demand for insurance and reinsurance products and services, the premiums payable, the profitability of such products and services and the risks associated with underwriting certain lines of business. In addition, certain capital markets participants have created alternative products that are intended to compete with reinsurance products. Recently, the insurance industry has faced increased competition from new underwriting capacity, such as the investment of significant amounts of capital by pension funds, mutual funds, hedge funds and other sources of alternative capital primarily into the natural catastrophe reinsurance and insurance businesses. The failure of our company to assess new services and technologies that may be applicable or disruptive to the reinsurance and insurance industries may have an adverse effect on our business, financial condition and results of operations.

The nature of the competition we face may be affected by disruption and deterioration in global financial markets and economic downturns, as well as by governmental responses thereto. For example, (i) government intervention might result in capital or other support for our competitors, (ii) governments may provide reinsurance and insurance capacity in markets and to consumers that we target or (iii) governments may take actions to reduce interest rates, impacting the value of and returns on fixed income investments. In addition, since numerous aspects of our business are subject to regulation, legislative and other changes affecting the regulatory environment for our business may have, over time, the effect of supporting or burdening some aspects of the financial services industry. This can affect our competitive position within the annuities industry, and within the broader financial services industry.

Because of the highly competitive nature of the insurance industry, there can be no assurance that we will maintain or grow our market share, continue to identify attractive opportunities in either our individual or institutional channels, or that competitive pressure will not have a material adverse effect on our business, results of operations and financial condition.

Consolidation in the reinsurance and insurance industry could adversely impact us.

Participants in the reinsurance and insurance industry, including our competitors, customers and reinsurance and insurance brokers, have been consolidating. There has been a large amount of merger and acquisition activity in the reinsurance and insurance sector in recent years which may continue. We may experience increased competition as a result of that consolidation, with larger entities having enhanced market power. Increased competition could result in fewer submissions, lower premium rates, less favorable policy terms and conditions and greater costs of customer acquisition and retention.

Should the market continue to consolidate, competitors may try to use their enhanced market power to obtain a larger market share through increased line sizes or through price competition. If competitive pressures reduce our prices, this could in turn lead to reduced premiums and a reduction in expected earnings. As the insurance industry consolidates, competition for customers will become more intense and the importance of sourcing and properly servicing each customer will become greater. We could incur greater expenses relating to customer acquisition and retention, further reducing our operating margins. In addition, insurance companies that merge may be able to spread their risks across a larger capital base so that they require less reinsurance. The number of companies offering reinsurance to competitors may decline. Reinsurance intermediaries could also continue to consolidate, potentially adversely impacting our ability to access and write business. We could also experience more robust competition from larger, better capitalized competitors. As a result of the consolidation in the industry, we may experience rate declines and possibly write less business. Any of the foregoing could adversely affect our business, results of operations, growth and prospects.

Our company's business relies on the use of technology, and as a result, we may be exposed to cybersecurity attacks.

Our company's business places significant reliance on information and other technology. This technology includes the computer systems used for information, processing, administrative and commercial operations. The information and embedded systems of key business partners and regulatory agencies are also important to our company's operations. Our company's business relies on this technology functioning as intended. The computer systems used by our company's business may be subject to cybersecurity risks or other breaches of information technology security, noting the increasing frequency and severity of these kinds of incidents.

A breach of our company's data or cybersecurity measures, the failure of any such computerized system or of the operating equipment used by our company's business for a significant time period could have a material adverse effect on our company's business prospects, financial condition, results of operations and cash flow and it may not be possible to recover losses suffered from such incidents under our company's insurance policies. Although our company is continuing to develop defenses to such attacks, our company can provide no assurance that our company will be successful in preventing or ameliorating damage from such an attack on our company and, as the manner in which cyber-attacks are undertaken has become more sophisticated, there is a risk that the occurrence of cyber-attack may remain undetected for an extended period.

Failure to protect the confidentiality of information, including as the result of a cybersecurity attack, could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations.

Many jurisdictions in which we operate have enacted laws to safeguard the privacy and security of personal information. Additionally, various government agencies have established rules protecting the privacy and security of such information. These laws and rules vary greatly by jurisdiction. As described above, our company's business relies on the use of technology, including to store and safeguard personal information of policyholders. Additionally, some of our employees have access to personal information of policyholders. We rely on internal controls to protect the confidentiality of this information. It is possible that our data could be the subject of a cybersecurity attack or an employee could, intentionally or unintentionally, disclose or misappropriate confidential information. If we fail to protect against the risk of a cyber-attack or maintain adequate internal controls, or if our employees fail to comply with our policies, misappropriation or intentional or unintentional appropriate disclosure or misuse of personal information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation or lead to civil, regulatory or criminal penalties, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. In addition, we may analyze customer data to better manage our business.

Compliance with laws and regulations governing the processing of personal data and information may impede our services or result in increased costs. The failure to comply with such data privacy laws and regulations could result in material fines or penalties imposed by data protection or financial services conduct regulators and/or awards of civil damages and any data breach may have a material adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences.

Our business relies on the processing of data in many jurisdictions and the movement of data across national borders. The collection, storage, handling, disclosure, use, transfer and security of personal information that occurs in connection with our business is subject to federal, state and foreign data privacy laws. These legal requirements are not uniform and continue to evolve, and regulatory scrutiny in this area is increasing around the world. In many cases, these laws apply not only to third party transactions, but also to transfers of information among us and our subsidiaries. Privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements.

The General Data Protection Regulation (the "**GDPR**") came into force throughout the European Union in May 2018 and has extra-territorial effect. It requires all companies processing data of European Union citizens to comply with the GDPR, regardless of the company's location. It also imposes obligations on European Union companies processing data of non-European Union citizens. The GDPR imposes new requirements regarding the processing of personal data and confers new rights on data subjects including the "right to be forgotten" and the right to "portability" of personal data. The GDPR imposes significant punishments for non-compliance which could result in a penalty of up to 4% of a company's global annual revenue.

Compliance with the enhanced obligations imposed by the GDPR requires investment in appropriate technical or organizational measures to safeguard the rights and freedoms of data subjects, may result in significant costs to our business and may require us from time to time to further amend certain of our business practices. Enforcement actions, investigations and the imposition of substantial fines and penalties by regulatory authorities as a result of data security incidents and privacy violations increased dramatically during 2018. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties, significant legal liability, and reputational damage and cause us to lose business.

In addition, unauthorized disclosure or transfer of sensitive or confidential client or company data, whether through systems failure, employee negligence, fraud or misappropriation, by us or other parties with whom we do business, could subject us to significant litigation, monetary damages, regulatory enforcement actions, fines and criminal prosecution in one or more jurisdictions. Such events could also result in negative publicity and damage to our reputation and cause us to lose business, which could therefore have a material adverse effect on our results of operations.

We intend to incur indebtedness which may result in our company or our operating subsidiaries being subject to certain covenants that restrict our ability to engage in certain types of activities or to make distributions to our shareholders.

Many of our operating subsidiaries have entered or will enter into credit facilities or have incurred or may incur other forms of debt, including the Brookfield Credit Agreement and other third party credit facilities. The Brookfield Credit Agreement provides that the lender is entitled to consent to any decision made by our board to approve any action by our company, that constitutes, or could reasonably be expected to constitute, a material change in the nature of our company's business, including any material change in the leverage profile of our company or any action that results, or could reasonably be expected to result, in a downgrade to any credit rating held by our company or any of its subsidiaries, as applicable.

Our company's credit facilities also contain other covenants applicable to the relevant borrower and events of default. Covenants can relate to matters including limitations on financial indebtedness, distributions, acquisitions, or minimum amounts for net worth. If an event of default occurs, or minimum covenant requirements are not satisfied, this can result in a requirement to immediately repay any drawn amounts or the imposition of other restrictions including a prohibition on the payment of distributions to our shareholders.

All of our company's operating subsidiaries are subject to general economic and political conditions and risks relating to the markets in which our company operates.

The industries in which our company operates are impacted by political and economic conditions, and in particular, adverse events in financial markets, which may have a profound effect on global or local economies. Some key impacts of general financial market turmoil include contraction in credit markets resulting in a widening of credit spreads, devaluations and enhanced volatility in global equity, commodity and foreign exchange markets and a general lack of market liquidity. A slowdown in the financial markets or other key measures of the global economy or the local economies of the regions in which our company operates, including, but not limited to, employment rates, business conditions, inflation, lack of available credit, the state of the financial markets, interest rates and tax rates may adversely affect our company's growth and profitability.

The demand for services provided by our company's operating subsidiaries are, in part, dependent upon and correlated to general economic conditions and economic growth of the regions in which our operating subsidiaries conduct business. Poor economic conditions or lower economic growth in a region or regions may, either directly or indirectly, reduce demand for the services provided by our company.

In addition, our company may be affected by political uncertainties in North America and Europe, which may have global repercussions, including in markets where our company currently operates or intends to expand into the future.

All of our company's operating subsidiaries are subject to changes in government policy and legislation.

Our company's financial condition and results of operations could also be affected by changes in economic or other government policies or other political or economic developments in each country or region, as well as regulatory changes or administrative practices over which our company has no control such as: the regulatory environment related to our company's business operations, concession agreements and periodic regulatory resets; interest rates; benchmark interest rate reforms, including the discontinuance of LIBOR and CDOR; currency fluctuations; exchange controls and restrictions; inflation; tariffs; liquidity of domestic financial and capital markets; policies relating to tax; and other political, social, economic, and environmental developments that may occur in or affect the countries in which our company's operating subsidiaries are located or conduct business or the countries in which the customers of our company's operating subsidiaries are located or conduct business or both. We have completed the transition of our debt exposures to LIBOR rates that decommissioned on December 31, 2021 and are in the process of completing our transition of investment securities to alternative reference rates of LIBOR and CDOR for LIBOR/CDOR benchmarked securities. Changes from LIBOR and CDOR to alternative reference rates that may have different characteristics compared to LIBOR and CDOR may adversely affect the valuation of our existing interest-rate linked and derivative securities we hold, the effectiveness of those derivatives in mitigating our risks, or other assets, liabilities and other contractual rights, and obligations whose value is tied to LIBOR and CDOR or to a LIBOR/CDOR alternative. For a description of insurance regulations, see Item 3.D "Risk Factors — Risks Relating to Regulation — Our insurance business is highly regulated, and such regulation and any supervisory and enforcement policies, or changes thereto, may materially impact our capitalization or cash flows, reduce our profitability and limit our growth".

In addition, operating costs can be influenced by a wide range of factors, including the need to comply with the directives of central and local government authorities. It is difficult to predict government policies and what form of laws and regulations will be adopted or how they will be construed by the relevant courts, or the extent to which any changes may adversely affect our company. Any reforms to benchmark interest rates, such as the discontinuance of LIBOR and CDOR, could create significant risks and challenges for our company and our operating subsidiaries. The discontinuance of, or changes to, benchmark interest rates require adjustments to agreements to which our company and other market participants are parties, as well as to related systems and processes.

We may require additional capital in the future, which may not be available or may only be available on unfavorable terms, including as a result of increasing barriers to free trade and the free flow of capital and fluctuations in the financial markets.

Our future capital requirements depend on many factors, including regulatory requirements, the nature of any future business we underwrite and the requirement to hold appropriate capital against the liabilities we assume thereunder, the amount of which is determined based on a variety of risks inherent in our transactions including, credit risk, interest rate risk, insurance risk and operational risk, among others. We may need to raise additional funds through financings or curtail our growth and reduce our assets. Any equity or debt financing, if available at all, may be on unfavorable terms. Any disruption in the financial markets may limit our ability to access capital required to operate our business, and we may be forced to delay raising capital or bear a higher cost of capital, which could decrease our profitability and significantly reduce our financial flexibility. For instance, prolonged and severe disruptions in the overall public and private debt and equity markets, such as occurred during 2008, and are occurring in connection with COVID-19 could result in significant realized and unrealized losses. Public and private debt and equity markets may experience disruption in individual market sectors, such as has occurred in the energy sector. If we cannot obtain adequate capital on favorable terms or at all, our business, results of operations and financial condition could be adversely affected.

In addition, recent political initiatives to restrict free trade and close markets, such as Brexit and the renegotiation and/or potential termination of existing bilateral and multilateral trade arrangements, could adversely affect the reinsurance and insurance industry and our business. The reinsurance and insurance industries are disproportionately impacted by restraints on the free flow of capital and risk because the value they provide depends on the ability to globally diversify risk.

Given ongoing global economic uncertainties, evolving market conditions may affect our results of operations, financial position and capital resources. In the event that there is deterioration or volatility in financial markets or general economic conditions, our results of operations, financial position, capital resources and competitive landscape could be materially and adversely affected.

Our company may suffer a significant loss resulting from fraud, bribery, corruption, other illegal acts, inadequate or failed internal processes or systems, or from external events.

Our company may suffer a significant loss resulting from fraud, bribery, corruption, other illegal acts by our company's employees or those of companies providing services to our company, including Brookfield, inadequate or failed internal processes or systems, or from external events, such as security threats affecting our ability to operate. Both Brookfield and our company operate in different markets and rely on our company's employees to follow our company's policies and processes as well as applicable laws in their activities. Risk of illegal acts or failed systems is managed through our company's infrastructure, controls, systems and people, complemented by a focus on enterprise-wide management of specific operational risks such as fraud, bribery and corruption, as well as personnel and systems risks. Specific programs, policies, standards and methodologies have been developed to support the management of these risks. However, these cannot guarantee that such conduct does not occur and if it does, it can result in direct or indirect financial loss, reputational impact or regulatory consequences.

Public health crises, illness, epidemics or pandemics and their related effects may adversely affect our business, operating results and financial condition.

Our business could be exposed to effects of pandemics/epidemics such as COVID-19 (including the emergence and progression of new variants), which could materially adversely impact our operations. A local, regional, national or international outbreak of a contagious disease, such as COVID-19, which spread across the globe at a rapid pace impacting global commercial activity and travel, or future public health crises, epidemics or pandemics, could materially and adversely affect our results of operations and financial condition due to disruptions to commerce, reduced economic activity and other unforeseen consequences that are beyond our control.

The ongoing prevalence of COVID-19, the emergence and progression of new variants and the actions taken in response to COVID-19 by government authorities across various geographies in which we and our businesses operate have interrupted business activities and supply chains, disrupted travel, contributed to significant volatility in the financial markets, impacted social conditions and adversely affected local, regional, national and international economic conditions as well as the labor market. There can be no assurance that strategies that we employ to address potential disruptions in operations will mitigate the adverse impacts of any of these factors.

The longer-term economic impacts of COVID-19 will depend on future developments, which are highly uncertain, constantly evolving and difficult to predict. These developments may include the risk of new and potentially more severe variant strains of COVID-19; additional actions that may be taken to contain COVID-19, such as reimposing previously lifted measures or putting in place additional restrictions; and the pace, availability, distribution, acceptance and effectiveness of vaccines. Such developments, depending on their nature, duration and intensity, could have a material adverse effect on our business, financial position, results of operations or cash flows.

Our company's business is at risk of becoming involved in disputes and possible litigation.

Our company's business is at risk of becoming involved in disputes and possible litigation, the extent of which cannot be ascertained. Any material or costly dispute or litigation could adversely affect the current value or future financial performance of our company. In addition, as a result of the actions of the operating subsidiaries, our company could be subject to various legal proceedings. The final outcome of any proceeding could have a negative impact on the business, financial condition or results of operations of our company during a given quarter or financial year.

Our company may be subject to negative publicity in the reinsurance and insurance industry.

From time to time, the participants in the insurance industry have been subject to investigations, litigation and regulatory scrutiny by various insurance, governmental and enforcement authorities concerning certain industry practices. In particular, financial services companies have been the subject of broad industry inquiries by state regulators and attorneys general that do not appear to be company-specific, such as those concerning business practices upon notification of death. We may receive inquiries and informational requests from insurance regulators and other government agencies in the jurisdictions in which our company operates. In addition, consumer advocacy groups or the media may also focus attention on certain insurance industry practices. We cannot predict the effect that investigations, litigation or regulatory activity or negative publicity from consumers or the media will have on the reinsurance and insurance industry or our company. However, press coverage and other public statements that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, could result in inquiry or investigation by regulators, legislators and/or law enforcement officials or in lawsuits. The involvement of our company in any investigations or litigation would cause our company to incur legal costs and can divert the time and effort of senior management, and if our company was found to have violated any laws, we could be required to pay fines and damages, potentially in material amounts. Our company could also be adversely affected by negative publicity and the implementation of any new industry-wide regulations that may result from such publicly, which could increase the regulatory burdens under which our company operates. Adverse publicity can also have a negative effect on our reputation, the morale and performance of employees, and on business retention, which could adversely affect our results of operations.

Risks Relating to the Acquisition of Argo Group by our Company

Failure to complete the acquisition of Argo Group could negatively impact the future business and financial results of our Company.

The completion of the Argo Group Acquisition is subject to a number of conditions, including, among other things, the approval of Argo Group shareholders and having obtained certain regulatory approvals or non-disapprovals with respect to relevant insurance regulators. Although we expect that the Argo Group Acquisition will close in the second half of 2023, there is no guarantee that the Argo Group Acquisition will close on such timeline, or at all. If the acquisition of Argo Group is not completed, the ongoing businesses of our company may be adversely affected and our company will be subject to several risks, including (i) having to pay certain costs relating to the proposed Argo Group Acquisition, such as legal, accounting, financial advisor, filing, printing and mailing fees; and (i) the focus of management teams on the Argo Group Acquisition instead of on pursuing other opportunities that could be beneficial; in each case, without realizing any of the benefits of having the acquisition of Argo Group completed. In addition, if the acquisition of Argo Group is not completed, our company may experience negative reactions from the financial markets and from regulators, rating agencies, prospective customers and counterparties and other insurance industry participants. If the Argo Group Acquisition is not completed, these risks may still materialize and may adversely affect the business, financial results and stock prices of our company.

Following the Argo Group Acquisition, we may not realize the anticipated benefits of the acquisition of Argo Group.

Even if we are successful in closing the Argo Group Acquisition, we may fail to realize some or all of the anticipated benefits of the Argo Group Acquisition including as a result of potential unknown liabilities and expenses within the business that were not identified by us during due diligence, or because of changes in our business or the business or industry of Argo Group since the time we entered into our agreement to acquire Argo Group. Furthermore, following the Argo Group Acquisition, the size and complexity of our business will increase significantly, and we may be exposed to additional risk factors that we are not exposed to through our existing business, including risks relating to Argo Group’s direct insurance business. Our future success depends, in part, upon our ability to manage our expanded business, and mitigate such risk factors, which may pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity.

Risks Relating to Our Investments

We could suffer losses if our investment strategy is unsuccessful.

The success of our investment strategy is central to the success of our business, and there can be no guarantee that we will be able to achieve any particular return for our investment portfolio in the future. In particular, we structure our investments to take into account and appropriately match our anticipated liabilities under our reinsurance contracts. We have entered into the Investment Management Agreements with Brookfield and, while we will establish the terms of the mandates and establish investment guidelines, Brookfield will generally have discretion over how investments are made and will manage our investments covered by those agreements. Our reliance on Brookfield as an investment manager, including under the Investment Management Agreements, is expected to result in us, among other things, investing in or alongside vehicles, consortiums and/or partnerships (including private funds, joint ventures and similar arrangements, which we refer to collectively as Brookfield Accounts) managed by Brookfield and/or related parties, as well as in securities and loans issued by portfolio companies and assets of Brookfield Accounts. In addition, under the Support Agreement our company has agreed that, for so long as the Support Agreement is in place, subject to applicable regulatory approval and to approval by their respective board of directors, our operating businesses are expected to, from time to time, appoint Brookfield as investment manager and will not appoint any other person to provide any investment management services without the prior consent of Brookfield. If our investments underperform or if they are not adequately structured to match our liabilities, we may be forced to liquidate investments prior to maturity at a significant loss or we may be forced to reinvest cash flows from our investments at a potentially lower yield than anticipated. Additionally, a portion of our investment portfolio is considered less liquid and may be more difficult to value. As a result, we may fail to properly value, and may not be able to realize our full carrying value in, such instruments.

The success of any investment activity is affected by general economic conditions. General economic conditions may materially and adversely affect the markets for corporate debt securities and structured securities such as commercial mortgage-backed or other asset backed securities. Unexpected volatility or illiquidity in the markets in which we directly or indirectly hold positions could materially and adversely affect us.

Before making investments, Brookfield will undertake a due diligence process. However, the due diligence investigation may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity, and, as a result, our results of operations, financial condition and cash flows may be materially and adversely affected.

Changes in interest rates and credit spreads, which are out of our control, can materially and adversely affect our financial condition and results of operations.

Interest rates have a significant impact on our business and on consumer demand for our products. Substantial and sustained increases or decreases in market interest rates could materially and adversely affect our business, financial condition, results of operations, liquidity and cash flows. Over the first few quarters of 2022, inflation continued to elevate, prompting increases in interest rates by central banks and a widening of credit spreads reflecting ongoing recession concerns. Over the course of 2022, many governmental authorities and central banks responded to inflationary pressure, generally through more restrictive monetary policy, such as increasing target interest rates.

Rapidly rising interest rates could result in reduced persistency of our spread-based products if contract holders shift assets into higher yielding investments. Increasing rates on other insurance or investment products offered by competitors may also lead to higher surrenders by customers within certain segments of our U.S. direct insurance business. We may react to market conditions by increasing crediting rates, which narrows our “spread,” or the difference between the amounts we earn on investments and the amount we must pay under our contracts. In addition, an increase in market interest rates could reduce the value of certain of our investments held as collateral under reinsurance agreements and require us to provide additional collateral, thereby reducing our available capital and potentially creating a need for additional capital which may not be available to us on favorable terms, or at all.

During periods of prolonged low interest rates, investment earnings may be lower because the interest earned on fixed income investments will likely have declined with the market interest rates, which in turn may impact the performance of our business. Although during such periods we may seek to mitigate the impact of low interest rates through actions such as reducing the guaranteed minimum crediting rates on new fixed annuity contracts and reducing crediting rates on in-force contracts, where permitted to do so, there is no guarantee that such actions may completely offset the impact of a low interest rate, and our sales volume may be negatively impacted as a result. Our ability to decrease product crediting rates in response may be limited by market and competitive conditions and by regulatory or contractual minimum rate guarantees. In a low interest rate environment, we may also be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, which will reduce our "net investment spread" or the difference between the amounts that we are required to pay under the contracts in our general account and the rate of return we earn on general account investments intended to support the obligations under such contracts. A decline in market interest rates or credit spreads could have an adverse effect on our investment income as we invest cash in new investments that may earn less than the portfolio's average yield. Furthermore, a low-interest rate environment with reduced investment market returns could encourage alternative capital providers to enter the insurance market in order to achieve higher returns. This could have the effect of increasing the level of competition in the insurance market and applying pressure on premiums, which could affect the gross written premium that we are able to generate.

A gradual increase in longer-term interest rates relative to short-term rates generally will have a favorable effect on the profitability of products within our U.S. direct insurance business – particularly interest-sensitive life insurance and fixed annuities.

While we maintain a diversified investment portfolio comprised of assets with various maturities to support product liabilities and ensure liquidity and use asset liability management processes to mitigate the effect on our spreads of changes in interest rates, they may not be fully effective.

The interest rate environment affects estimated future profit projections, which could impact the amortization of our deferred policy acquisition costs ("**DAC**") assets and the estimates of policyholder liabilities within our U.S. domestic insurance business. Significantly lower future estimated profits may cause us to accelerate the amortization of DAC or require us to establish additional policyholder liabilities, thereby reducing earnings. We periodically review assumptions with respect to future earnings to ensure they remain appropriate considering the current interest rate environment.

Fluctuations in credit spreads can also contribute to the industry's cyclicality and may materially and adversely affect our investment performance including investment income or cause realized and unrealized losses. We are subject to risks associated with potential declines in credit quality related to specific issuers or specific industries and a general weakening in the economy, which are typically reflected through credit spreads. Our exposure to credit spreads primarily relates to market price volatility and investment risk associated with the fluctuation in credit spreads. Credit spreads increase or decrease in response to the market's perception of risk and liquidity of a specific issuer or specific sector and are influenced by the credit ratings, and the reliability of those ratings, published by external rating agencies. Widening credit spreads may cause unrealized losses in our investment portfolio and increase losses associated with written credit protection derivatives used in replication transactions. Increases in credit spreads of issuers due to credit deterioration may result in higher levels of impairments. Tightening credit spreads may reduce our investment income and cause an increase in the reported value of certain liabilities that are valued using a discount rate that reflects our own credit spread.

One key factor that contributes to the cyclicality in insurers' underwriting results are interest rate movements. In a high-interest rate environment, increased investment returns may reduce insurers' required contribution from underwriting performance to achieve an attractive overall return. This may result in a less-disciplined approach to underwriting in the market generally as some underwriters could be inclined to offer lower premium rates to generate more business. An increase in market interest rates or credit spreads could also have an adverse effect on the value of our investment portfolio by decreasing the fair values of the fixed income securities in our investment portfolio. Further, an increase in market interest rates could reduce the value of certain of our alternative investments held as collateral under reinsurance agreements and require us to provide additional collateral, thereby reducing our available capital and potentially creating a need for additional capital which may not be available to us on favorable terms, or at all.

Interest rate fluctuations and other events may require us to accelerate the amortization of DAC.

When interest rates rise, life and annuity surrenders and withdrawals may increase as policyholders seek to buy products with higher or perceived higher returns, impacting estimates of future profits. When interest rates fall, we would have the opposite effect. Significantly lower future profits may cause us to accelerate DAC amortization, and such acceleration could adversely affect our results of operations to the extent such amortization exceeds any surrender or other charges earned as income upon surrender and withdrawal.

Inflation may adversely reduce the profitability of our businesses and results of operations.

Continued rising inflation could adversely impact returns on our investment portfolio and results of operations. The effects of inflation can increase expense risk, resulting in increased costs in servicing and maintaining insurance, savings or reinsurance contracts, including direct expenses and allocations of overhead costs. Failure to accurately factor in higher inflation in our pricing assumptions may result in mispricing of our businesses' products, which could materially and adversely impact our results of operations. In addition, inflation can also impact our investment portfolio rate of return and corresponding investment income.

Our valuation of securities and investments, as well as the determination of the amount of allowances and impairments taken on our investments are subjective and, if changed, could materially and adversely affect our results of operations or financial condition.

Valuations of the investments, including any property received in exchange for any investments, that are calculated will be done in good faith in accordance with guidelines prepared in accordance with IFRS or U.S. GAAP. Valuations are subject to determinations, judgments, projections and opinions, and third parties or investors may disagree with such valuations. Accordingly, the carrying value of an investment will not necessarily reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. Brookfield generally will not, unless otherwise required to pursuant to applicable law and/or regulation, seek an independent view, opinion, support and/or appraisal for such valuation determinations, including in situations where Brookfield has different economic interests in our company.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities, including fixed maturity and equity securities as well as short-term investments that are reported at estimated fair value, if trading becomes less frequent and/or market data becomes less observable. In addition, in times of financial market disruption, the valuation process for certain asset classes that were in active markets with observable valuations may include inputs that are less observable and require more subjectivity and management judgment. Valuations may result in estimated fair values which vary significantly from the amount at which the investments may ultimately be sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period to period changes in estimated fair value could vary significantly. Decreases in the estimated fair value of securities we hold may have a material adverse effect on our financial condition.

The determination of the amount of allowances and impairments varies by investment-type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. However, historical trends may not be indicative of future impairments or allowances and any such future impairments or allowances could have a materially adverse effect on our earnings and financial position.

We have a risk management framework in place to identify, assess and prioritize risks, including the market and credit risks to which our investments are subject. As part of that framework, we test our investment portfolio based on various market scenarios. Under certain stressed market scenarios, unrealized losses on our investment portfolio could lead to material reductions in its carrying value. Under some extreme scenarios, total shareholders' equity could be negative for the period of time prior to any potential market recovery.

Our investment portfolio may be subject to concentration risk.

Concentration risk arises from exposure to significant asset defaults of a single issuer, industry or class of securities, based on economic conditions, geography or as a result of adverse regulatory or court decisions. When an investor's assets are concentrated and that particular asset or class of assets experiences significant defaults, the default of such assets could threaten the investor's financial condition, results of operations and cash flows.

A number of our company's assets are illiquid, and our company may be required to dispose of such assets if there is significant amount of unanticipated policyholder withdrawal or lapse activity or to meet our reinsurance or other obligations.

Our company strives to maintain a sufficient level of liquidity to support the risk of withdrawal or lapse activity under reinsurance treaties. However, in order to provide necessary long-term returns and achieve our strategic goals, a portion of our assets are relatively illiquid. Many of our investments are in securities that are not publicly trade or that otherwise lack liquidity, such as our privately placed fixed maturity securities, below investment grade securities, investments in mortgage loans and alternative investments. In addition, our liquid assets may experience reduced liquidity during periods of market volatility or disruption.

If there is a significant amount of unanticipated policyholder withdrawal or lapse activity, our company may be required to dispose of such illiquid assets on unfavorable terms. For example, reinsurance agreements may provide for recapture rights on the part of the ceding company and may require that we hold or provide collateral to support performance of our reinsurance commitments. We may be forced to sell investments as a result of a lapse or surrender of all or some of the policies underlying reinsurance treaties or as a result of the need to hold additional collateral that meets the associated investment guidelines. If we were forced to sell certain of our assets, there can be no assurance that we would be able to sell them for the values at which such assets are recorded and we might be forced to sell them at significantly lower prices. In addition, in many cases we may be prohibited by contract or applicable securities laws from selling such securities for a period of time. When we hold a security or position, it is vulnerable to price and value fluctuations and may experience losses if we are unable to timely sell, hedge or transfer the position. Thus, it may be impossible or costly for us to liquidate positions rapidly in order to meet unexpected withdrawal or recapture obligations. If we are unable to liquidate assets to offset withdrawal or lapse activity, it could have an adverse effect on our financial position and results of operations, as well as our financial ratios, which could affect compliance with our credit instruments and rating agency capital adequacy measures.

Our investments are subject to credit risk, market risk, servicing risk, loss from catastrophic events and other risks, which could diminish the value that we obtain from such investments.

Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition.

Our investments are subject to risks of changes in market values and credit defaults. Periods of macroeconomic weakness or recession, volatility or disruption in the financial and credit markets could increase these risks and could potentially result in impairment of assets in our investment portfolio. In addition, the impact of political developments or tension, including any resulting sanctions, trade barriers or other restrictive actions that may be imposed by countries against governmental or other entities in other countries, also could lead to disruption, instability and volatility in the global markets, which may have an impact on our investments across negatively impacted sectors or geographies.

We are also subject to the risk that cash flows generated from the collateral underlying the structured products we own may differ from our expectations in timing or amount. In addition, many of our classes of investments, but in particular our alternative investments, may produce investment income that fluctuates significantly from period to period. Any event reducing the estimated fair value of these securities, other than on a temporary basis, could have a material and adverse effect on our business, results of operations, financial condition, liquidity and cash flows.

Certain of our investments are linked to real estate, including fixed maturity and equity securities such as commercial mortgage-backed securities (CMBS) and commercial mortgage loans (CML). Defaults by third parties in the payment or performance of their obligations underlying these assets could reduce our investment income and realized investment gains or result in the recognition of investment losses. In addition, changes in laws and other regulatory developments relating to the mortgage loans may impact the investments of our portfolio linked to real estate in the future. Additionally, cash flow variability arising from an unexpected acceleration in the rate of mortgage prepayments can be significant, and could cause a decline in the estimated fair value of certain “interest only” securities.

Control over the underlying assets in all of our real estate-related investments is exercised through servicers that we do not control. If a servicer is not vigilant in seeing that borrowers make their required periodic payments, borrowers may be less likely to make these payments, resulting in a higher frequency of delinquency and default. If a servicer takes longer to liquidate nonperforming mortgages, our losses related to those loans may be higher than we expected.

Our investments in assets linked to real estate are also subject to loss in the event of catastrophic events, such as earthquakes, hurricanes, floods, tornadoes and fires. Climate change has exacerbated these risks and is likely to further increase both the likelihood of occurrence and the magnitude of impact in future periods. While loss experience in the event of a catastrophic event is contingent upon many factors, including the insured status of the underlying property and the seniority of our investment, in the case of structured securities, a catastrophic event impacting one or more of the regions of our real estate investments may cause some portion of the invested in assets linked to real estate to become impaired, which may have a material adverse impact on our financial condition and results of operations.

In addition to the credit and market risk that we face in relation to all of our real estate-related investments, certain of these investments may expose us to various environmental, regulatory or other risks. We are currently unable to predict the impact of such regulation on our business. Any adverse environmental claim or regulatory action against us resulting from our investments in real estate-related investments could adversely impact our reputation, business, financial condition and results of operations.

Our investment portfolio may include investments in securities of issuers based outside the U.S., including emerging markets, which may be riskier than securities of U.S. issuers.

We may invest in securities of issuers organized or based outside the U.S. that may involve heightened risks in comparison to the risks of investing in U.S. securities, including unfavorable changes in currency rates and exchange control regulations, reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions, transfer taxes and custody fees, local economic or political instability and greater market risk in general. In particular, investing in securities of issuers located in emerging market countries involves additional risks, such as exposure to economic structures that are generally less diverse and mature than, and to political systems that can be expected to have less stability than, those of developed countries; national policies that restrict investment by foreigners in certain issuers or industries of that country; the absence of legal structures governing foreign investment and private property; an increased risk of foreclosure on collateral located in such countries; a lack of liquidity due to the small size of markets for securities of issuers located in emerging markets; and price volatility.

Risks Relating to Regulation

Our insurance business is highly regulated, and such regulation and any supervisory and enforcement policies, or changes thereto, may materially impact our capitalization or cash flows, reduce our profitability and limit our growth.

We are subject to extensive insurance laws and regulations that affect nearly every aspect of our business. We are also subject to additional laws and regulations administered and enforced by a number of different governmental authorities in the jurisdictions in which we operate. See Item 4.B "Business Overview – Regulatory Framework".

The laws and regulations applicable to us are complex and subject to change, and compliance is time consuming and personnel intensive. Changes in these laws and regulations, or interpretations by courts or regulators, may materially increase our costs of doing business and may result in changes to our practices that may limit our ability to grow and improve our profitability. Regulatory developments or actions against us could have material adverse financial effects and could harm our reputation. Among other things, we could be fined, prohibited from engaging in some or all of our business activities, or made subject to limitations or conditions on our business activities.

We face the risk that any particular regulator's or enforcement authority's interpretation of a legal issue may conflict with that of another regulator or enforcement authority or may change over time to our detriment. Regulatory investigations and examinations, which can be broad and unpredictable, may raise issues not identified previously and could result in new legal actions against us and industry-wide regulations that could adversely affect us. Further, we are experiencing increasing information requests from regulators without corresponding direct regulation being applicable to us, on issues such as climate change, diversity and our investments in certain companies or industries. Responding to such requests adds to our compliance costs.

Insurance company supervision and regulation is generally intended for the benefit of policyholders and creditors rather than shareholders or other investors of the business. Among other things, the insurance laws and regulations applicable to us may:

- impose rules and restrictions on the marketing, distribution, administration and amendment of our annuity products and insurance policies;
- require the maintenance of certain solvency levels, including minimum levels of capital and surplus;
- require the maintenance of target capital levels, general and long-term business minimum solvency margins, enhanced capital requirements and a minimum liquidity ratio;

- require periodic examinations of our financial condition;
- require offices and representatives in the relevant jurisdiction;
- restrict agreements with large revenue-producing agents;
- require us to obtain licenses or authorizations from regulators;
- regulate transactions, including investments in or transactions with affiliates or related parties and intra-group guarantees;
- in certain jurisdictions, restrict the payment of dividends or other distributions of capital;
- require the disclosure of financial and other information to regulators, including financial statements, financial conditions reports, and annual capital and solvency returns;
- impose restrictions on the nature, quality and concentration of investments;
- regulate the admissibility of assets and capital;
- provide for involvement in the payment or adjudication of claims beyond the terms of the policies;
- establish certain minimum operational requirements or customer service standards such as the timeliness of finalized policy language or lead time for notice of non-renewal or changes in terms and conditions; and
- allow for the performance of certain periodic examinations of its financial condition.

The impact of these regulations, including, in particular the restrictions on investments in affiliates or related parties, may have an adverse effect on our investment portfolio returns. As part of regular, mandated risk assessments, regulators may take steps that have the effect of restricting our business activities, which may in turn have a material impact on our ability to achieve growth objectives and earnings targets. All of our insurance subsidiaries are subject to minimum capital and surplus requirements. Any failure to meet applicable requirements or minimum statutory capital requirements could subject us to examination or corrective action by regulators, including limitations on our writing additional business or engaging in finance activities, supervision, receivership, or liquidation. In addition, each regulated insurance business we operate is subject to a number of restrictions on assets we may hold under relevant regulations and tax rules, and regulators may, as has happened in the past, alter such restrictions, thus potentially affecting our investment policy and any associated projected income or growth return from our investments. In addition, based on our perceived risk profile, regulators may require additional regulatory capital to be held by us (including as part of guidance provided by the regulator to us on a confidential basis), which, among other things, may affect the business we can write and the amount of dividends we are able to pay out.

As a result, in connection with the conduct of our various businesses, we believe it is crucial to establish and maintain good working relationships with the various regulatory authorities having jurisdiction over our businesses. If those relationships and that reputation were to deteriorate, our businesses could be materially and adversely affected. For example, we require various consents and approvals from our regulators, both with respect to transactions we enter into and in the ordinary course of the conduct of our businesses. If we fail to maintain good working relationships with our regulators, it may become more difficult or impossible for us to obtain those consents and approvals, either on a timely basis or at all.

The reinsurance and insurance industries have experienced substantial volatility as a result of investigations, litigation and regulatory activity by various insurance, governmental and enforcement authorities, concerning various practices within the reinsurance and insurance industry. If we or any of our subsidiaries were to be found to be in breach of any existing or new laws or regulations now or in the future, we would be exposed to the risk of intervention by regulatory authorities, including investigation and surveillance, and judicial or administrative proceedings. In addition, our reputation could suffer and we could be fined, sanctioned or suspended or prohibited from engaging in some or all of our business activities or could be sued by counterparties, as well as forced to devote significant resources to cooperate with regulatory investigations, any of which could have a material adverse effect on our results of operations. These events, if they occur, could affect the competitive market and the way we conduct our business and manage our capital and could result in lower revenues and higher costs.

Lastly, international standards continue to emerge in response to the globalization of the insurance industry and evolving standards of regulation, privacy, solvency measurement and risk management. Any international conventions or mandates that directly or indirectly impact or influence the nature of regulation or industry operations in the jurisdictions in which we operate could negatively affect us.

Change of control approvals required by insurance laws and regulations in certain of the jurisdictions in which we operate could discourage or inhibit takeovers, potential acquisition proposals, business combinations or other change of control transactions.

Under U.S. state insurance laws and regulations, no person, corporation or other entity may, directly or indirectly, acquire control of an insurance company, or a controlling interest in any person, corporation or other entity that has a controlling interest in an insurance company, without the prior approval of such insurance company's domiciliary state insurance regulator. Under most U.S. state insurance laws, the acquisition of, directly or indirectly, 10% or more of the voting securities of an insurance company or any company that owns or controls 10% or more of the voting securities of an insurance company is presumptively considered to be an acquisition of control, although such presumption may be rebutted by a showing that control does not in fact exist. The applicable state insurance regulator may also find that control exists in circumstances in which a person owns or controls, directly or indirectly, less than 10% of the voting securities of an insurance company. Accordingly, for so long as our company owns or controls 10% or more of the voting securities of any U.S. domiciled insurance company (such as the insurance subsidiaries of AEILIC, the insurance subsidiaries of American National or, assuming the Argo Group Acquisition is consummated, the insurance subsidiaries of Argo Group), the acquisition of 10% or more of our voting securities (comprised of our class A exchangeable shares and class B shares) would require the prior approval of the U.S. state insurance regulator in each U.S. state in which such U.S. insurance company is domiciled.

Under applicable insurance laws and regulations of Canada, prior approval from the Minister of Finance (Canada) is required for any direct or indirect change of control of any Canadian-domiciled insurance company (such as BAC). In addition, holders of our class A exchangeable shares are subject to notification requirements with the Bermuda Monetary Authority following the acquisition of 10% or more of our voting securities. In addition, there is a requirement to notify CIMA of any acquisition of more than 10% of our issued share capital or our voting securities. See Item 4.B "Business Overview — Regulatory Framework".

These laws and regulations in many of the jurisdictions in which we operate may discourage or inhibit takeovers, potential acquisition proposals, business combinations or other change of control transactions and may delay, deter or prevent a change of control of our company, including through transactions (and in particular, unsolicited transactions), that some or all of our shareholders might consider to be desirable. Additionally, any person, corporation or other entity that acquires, directly or indirectly, our voting securities without the requisite prior approvals or complying with applicable notification requirements will be in violation of these laws and may be subject to penalties, fines, or other actions that may be taken by the applicable insurance regulator, including injunctive action requiring the disposition or seizure of those securities or prohibiting the voting of those securities.

Regulatory requirements may constrain our company's ability to complete acquisitions, dispositions and other transactions on desired terms, or at all.

Our company's acquisitions, dispositions and other transactions may be subject to approval by regulatory authorities in one or more jurisdictions in which we, or our counterparties, operate that are beyond our company's control and may not be satisfied. In particular, many jurisdictions in which our company seeks to invest (or divest) impose government consent requirements on investments by foreign persons. For example, all Canadian-licensed insurers are required to obtain OSFI approval for acquisitions or dispositions of assets representing more than 10% of total assets in a twelve-month period, and approval of the Minister of Finance (Canada) is required for, among other things, any amalgamation with another insurer or any transfer of a licensee's operations. All Cayman Islands-licensed insurers are required to obtain the prior approval of CIMA in connection with certain transactions, including any transfer of shares (direct or indirect) totaling more than 10% of the issued share capital of the insurer, any amalgamation with another insurer or transfer of a licensee's insurance operations. All Bermuda-licensed insurers are required to give notice to the BMA of their intention to affect a "material change" within the meaning of the Bermuda Insurance Act, which includes many acquisitions. Similarly, all US-licensed insurers under U.S. state insurance laws, are required to obtain the prior approval of the U.S. state insurance regulator in each U.S. state in which such US-licensed insurers is domiciled for, among other things, the acquisition of, directly or indirectly, 10% or more of the voting securities of the insurer or any company that owns or controls 10% or more of the voting securities of the insurer.

Consents and approvals may not be obtained, may be obtained subject to conditions which adversely affect anticipated returns, and/or may be delayed and delay or ultimately preclude the completion of acquisitions, dispositions and other transactions. Government policies and attitudes in relation to foreign investment may change, making it more difficult to complete acquisitions, dispositions and other transactions in such jurisdictions. Furthermore, interested stakeholders could take legal steps to prevent transactions from being completed. If all or some of our company's acquisitions, dispositions and other transactions are unable to be completed on the terms agreed, our company may need to modify or delay or, in some cases, terminate these transactions altogether, the market value of our company's respective securities may significantly decline, and our company may not be able to achieve the expected benefits of the transactions.

Our failure to obtain or maintain licenses and/or other regulatory approvals as required for the operations of our insurance subsidiaries may have a material adverse effect on our business, financial condition, results of operations, liquidity, cash flows and process.

Each regulator retains the authority to license insurers in its jurisdiction and an insurer generally may not operate in a jurisdiction in which it is not licensed. The licenses currently held by our insurance subsidiaries are limited in scope with respect to the products that may be sold within the respective jurisdictions. Currently, our insurance subsidiaries maintain licenses in the United States, Bermuda, the Cayman Islands and Canada. Our ability to retain licenses depends on our company's and our subsidiaries' ability to meet requirements established by applicable regulators.

To the extent our insurance subsidiaries seek to sell products for which we are currently not licensed, such subsidiaries would be required to become licensed in each of the respective jurisdictions in which such products are expected to be sold. There is no assurance that our subsidiaries would be able to obtain the relevant licenses. The process of obtaining licenses is time consuming and costly and we may not be able to become licensed in jurisdictions other than those in which our insurance subsidiaries are currently licensed and/or for products for which we are currently licensed. The modification of the conduct of our business resulting from our subsidiaries becoming licensed in certain jurisdictions or for certain products could significantly and negatively affect our business.

In addition, licensing regulations differ as to products and jurisdictions and may be subject to interpretation as to whether certain licenses are required with respect to the manner in which we may sell or service some of our products in certain jurisdictions. The degree of complexity is heightened based on the type of products that are issued, including where such products may cover risks in multiple jurisdictions. If a state regulator interprets a licensing requirement differently than we do and/or we are unable to meet their requirements, our subsidiaries could lose their licenses to do business in certain jurisdictions; be subject to additional regulatory oversight; have their licenses suspended; be subject to rescission requests, fines, administrative penalties or payments to policyholders or be subject to seizure of assets. A loss or suspension of any of our subsidiaries' licenses or an inability of any of our insurance subsidiaries to be able to sell or service certain of our insurance products in one or more jurisdictions may negatively impact our reputation in the insurance market and result in our subsidiaries' inability to write new business, impair our competitive position, distribute funds or pursue our investment strategy.

Any future regulatory changes, including political, regulatory and industry initiatives by state and international authorities, could result in the imposition of significant restrictions on our ability to do business.

Changes to the laws and regulations, and interpretations and enforcement of such laws and regulations, that govern the conduct of our business could adversely affect our operations and profitability. In addition, legislation and other regulatory initiatives taken or which may be taken in response to conditions in the financial markets, global supervision and other factors may lead to additional regulation of the insurance industry in the coming years. Such changes could increase our regulatory and compliance burden, resulting in increased costs, or limit the type, amount or structure of compensation arrangements into which we may enter with certain of our associates, which could negatively impact our ability to compete with other companies in recruiting and retaining key personnel. Changes in regulatory approval processes, rules and other dynamics in the regulatory process could adversely impact our ability to react to such changing conditions. We cannot predict what proposals may be made, what legislation or regulations may be introduced or enacted, or what impact any future legislation or regulations may have on our business, results of operations and financial condition. In addition, changes in the laws or regulations to which our insurance and reinsurance subsidiaries are subject or in the interpretation thereof by enforcement or regulatory agencies as well as increased monitoring compliance by international bodies of certain jurisdictions in which Brookfield operates could have a material adverse effect on our business and cause reputational damage to our operating subsidiaries.

Further, as insurance industry practices and legal, judicial, social and other conditions outside of our control change, unexpected issues related to claims and coverage may emerge. These changes may include modifications to long established business practices or policy interpretations, which may adversely affect us by extending coverage beyond our underwriting intent or by increasing the type, number or size of claims. For example, in January 2019, NYDFS issued Circular Letter No. 1, in which the department set out its views concerning the use of external consumer data sources in the underwriting of life insurance. NYDFS contends that external data sources can be unreliable and that many are not subject to regulatory oversight. Circular Letter No. 1 further highlights two particular areas of immediate concern for NYDFS involving the use of external data sources by life insurers. First, the department states that the use of external data sources has a significant potential to negatively impact protected classes of consumers in violation of state and federal anti-discrimination laws, and that insurers should not use an external data source unless the insurer can prove that such source does not violate anti-discrimination laws. Second, NYDFS contends that an insurer's use of external data sources is often accompanied by a lack of transparency to consumers, which may implicate unfair trade practice law. Other states may undertake regulatory efforts similar to Circular Letter No. 1. For example, on July 6, 2021, the governor of Colorado signed Senate Bill 21-169, which also regulates an insurer's use of external consumer data and information sources. In addition, the NAIC formed a committee on race and insurance which is focused on underwriting practices that may be an unintentional proxy for discrimination. As a result of these regulatory efforts, there is a great deal of uncertainty whether traditional underwriting criteria will be restricted by new state laws or regulations. Such regulatory efforts may significantly hinder our use of technological and innovative advances to underwrite and price life insurance accurately and deter the use of what is commonly called "big data" in the underwriting of property and casualty insurance.

A decrease in applicable capital ratios/calculations of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our results of operations and financial condition.

In any particular year, statutory surplus amounts and applicable capital ratios in respect of our insurance subsidiaries, may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by the insurance subsidiary (which itself is sensitive to equity market and credit market conditions), recognition of write-downs or other losses on investments held in our investment portfolio, the amount of additional capital such insurer must hold to support business growth, changes in equity market levels, the value and credit ratings of certain fixed income and equity securities in its investment portfolio, the value of certain derivative instruments that do not receive hedge accounting and changes in interest rates, as well as changes to the applicable capital formulas and the interpretation of the applicable regulator's instructions with respect to capital calculation methodologies. Our financial strength and credit ratings are significantly influenced by statutory surplus amounts and the capital ratios of our insurance subsidiaries. In addition, rating agencies may implement changes to their own internal models, which differ from the prescribed capital models in Canada, Cayman Islands, Bermuda or the United States, as applicable, that have the effect of increasing or decreasing the amount of statutory capital our insurance subsidiaries should hold relative to the rating agencies' expectations. Under stressed or stagnant capital market conditions and with the aging of existing insurance liabilities, without offsets from new business, the amount of additional statutory reserves that an insurance subsidiary is required to hold may materially increase. This increase in reserves would decrease the statutory surplus available for use in calculating the relevant subsidiary's required capital ratio(s). To the extent that the capital ratios of any of our insurance subsidiaries are deemed to be insufficient, we may seek to take actions to increase the capitalization of that subsidiary or to reduce the capitalization requirements. If we were unable to accomplish such actions, the rating agencies may view this as a reason for a ratings downgrade. The failure of our insurance subsidiaries to meet their respective capital requirements or any other applicable minimum capital and surplus requirements could subject them or us to further examination or corrective action imposed by insurance regulators, including limitations on the ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, results of operations and financial condition. A decline in the capital ratios of any our insurance subsidiaries, whether or not such decline results in a failure to meet the applicable capital requirement, may limit the ability of that subsidiary to make dividends or distributions to us, could result in a loss of new business, or could be a factor in causing ratings agencies to downgrade financial strength ratings, each of which could have a material adverse effect on our business, results of operations and financial condition. Moreover, future revisions to the applicable capital calculations relevant to our insurance subsidiaries could result in a reduction in those capital ratios below certain prescribed levels, and in case of such a reduction we may be required to hold additional capital in the applicable insurance subsidiary.

Potential government intervention in the insurance industry and instability in the marketplace for insurance products could hinder our flexibility and negatively affect the business opportunities that may be available to us in the market.

Government intervention in the insurance industry and the possibility of future government intervention have created uncertainty in the reinsurance and insurance markets. Governmental authorities worldwide have become increasingly interested in potential risks posed by the insurance industry as a whole to commercial and financial systems in general, and there could be increased regulatory intervention in the reinsurance and insurance industries in the future.

Government regulators are generally concerned with the protection of policyholders to the exclusion of other constituencies, including shareholders of insurers. While we cannot predict the exact nature, timing or scope of possible governmental initiatives, such proposals could adversely affect our business by, among other things:

- providing reinsurance and insurance capacity in markets and to consumers that we target;
- requiring our participation in industry pools and guaranty associations;

- further regulating the terms of reinsurance and insurance policies; or
- disproportionately benefiting the companies of one country over those of another.

Government intervention has in the recent past taken the form of financial support of certain companies in the reinsurance and insurance industry. Governmental support of individual competitors can lead to increased pricing pressure and a distortion of market dynamics. The insurance industry is also affected by political, judicial and legal developments that may create new and expanded theories of liability, which may result in unexpected claims frequency and severity and delays or cancellations of products and services by insureds, insurers and reinsurers which could adversely affect our business.

Additionally, governments and regulatory bodies may take unpredictable action to ensure continued supply of insurance, particularly where a given event leads to withdrawal of capacity from the market. For example, regulators may seek to force us to offer certain covers to (re)insureds, constrain our flexibility to apply certain terms and conditions or constrain our ability to make changes to the pricing of our contracts. There can be no assurance as to the effect that any such governmental or regulatory actions will have on the financial markets generally or on our competitive position, business and financial condition. See Item 3.D "Risk Factors — Risks Relating to Regulation — Any future regulatory changes, including political, regulatory and industry initiatives by state and international authorities, could result in the imposition of significant restrictions on our ability to do business."

The reinsurance and insurance regulatory framework and legislation enacted in Bermuda and the Cayman Islands as to economic substance may affect our operations.

Bermuda and the Cayman Islands are each on the European Union's "whitelist" of cooperative tax jurisdictions, having delivered on the commitments each jurisdiction made to the European Union in 2019 to further enhance their respective regulatory and transparency frameworks. The European Commission has proposed sanctions against non-cooperative tax jurisdictions, including restrictions on certain European sovereign wealth funds channeling funds through entities domiciled in non-cooperative jurisdictions. If, in the future, the classification of either jurisdiction changes, so that Bermuda or the Cayman Islands is again included on the European Union's non-cooperative jurisdictions list, the ability of certain European sovereign wealth funds to invest in our business may be limited. In the future, individual European Union member states may also apply sanctions against non-cooperative jurisdictions. If, in the future, the classification of either jurisdiction changes and Bermuda or the Cayman Islands is again included on the non-cooperative jurisdictions list, and these or other sanctions are implemented, we cannot guarantee that such sanctions will not have a material and adverse impact on our business.

In addition, pursuant to the Bermuda ESA that came into force in December 2018, a registered entity other than an entity which is resident for tax purposes in certain jurisdictions outside Bermuda, which we refer to as a non-resident entity, that carries on as a business any one or more of the "relevant activities" referred to in the Bermuda ESA must comply with economic substance requirements. The "relevant activities" are carrying on any one or more of the following activities: banking, insurance, fund management, financing and leasing, headquarters, shipping, distribution and service center, intellectual property and holding entity.

Likewise, pursuant to the Cayman ESA that came into force on January 1, 2019, a "relevant entity" that carries on any one or more of the "relevant activities" referred to in the Cayman ESA must comply with economic substance requirements. Cayman Islands "relevant activities" include: banking business, distribution and service centre business, financing and leasing business, fund management business, headquarters business, holding company business, insurance business, intellectual property business and shipping business.

In each jurisdiction, an in-scope entity which is engaged in any one or more of the "relevant activities" must satisfy an economic substance test, by performing core income-generating activities in the jurisdiction, being directed and managed in an appropriate manner in the jurisdiction and, having within the jurisdiction (i) an adequate amount of operating expenditure incurred in each jurisdiction, (ii) an adequate physical presence (under the Cayman ESA plant, property and equipment) and (iii) an adequate number of qualified full-time employees or other personnel.

The Bermuda ESA and the Cayman ESA could affect the manner in which we operate our business, which could adversely affect our business, financial condition and results of operations. Non-compliance with the Bermuda ESA or the Cayman ESA could result in significant financial penalties and other sanctions.

Our employees in Bermuda and the Cayman Islands require work permits to run their reinsurance businesses in those jurisdictions and may not be able to obtain and/or renew the required work permits under Bermuda and/or Cayman Islands law.

Both NER Ltd. and NER SPC have full time employees based in Bermuda and the Cayman Islands, as the case may be, to run their respective reinsurance businesses in those jurisdictions. Under Bermuda law, non-Bermudians (other than spouses of Bermudians and holders of permanent residents' certificates) generally may not engage in any gainful occupation in Bermuda without a valid government work permit (with certain exceptions). The position is substantially the same in the Cayman Islands. A Bermuda work permit is generally granted or renewed upon showing that, after proper public advertisement, no Bermudian, spouse of a Bermudian, or holder of a permanent resident's certificate who meets the minimum standards reasonably required by the employer has applied for the job. The position is substantially the same in the Cayman Islands. Bermuda work permit terms that are available for request range from three months to five years. Should NER Ltd. or NER SPC, as the case may be, at any point, not be able to recruit suitable Bermudian or Caymanian employees, as the case may be, or obtain work permits for prospective non-Bermudian or non-Caymanian employees, NER Ltd. and/or NER SPC may not be able to use their services, which could have a material adverse effect on our business, financial condition and results of operations.

An adverse change in our regulatory requirements, including risk-based capital, could materially adverse affect our business, results of operations and financial condition.

The U.S. state domiciled insurance subsidiaries of American National are subject to the NAIC's RBC standards and other minimum statutory capital and surplus requirements imposed under the laws of their respective states of domicile. The failure of such insurance subsidiaries of American National to meet applicable RBC requirements or minimum statutory capital and surplus requirements could subject them to further examination or corrective action imposed by state insurance regulators, including limitations on their ability to write additional business, or the addition of state regulatory supervision, rehabilitation, seizure or liquidation. Additionally, the RBC ratio of an insurance subsidiary of American National would be negatively impacted by future increases in our statutory reserves. Future declines in the RBC ratio of an insurance subsidiary of American National could result in heightened supervision and regulatory action.

Regulatory regimes and changes to accounting rules may adversely impact our financial results irrespective of business operations.

Accounting standards and regulatory changes may require modifications to our accounting principles, both prospectively and for prior periods, and such changes could have an adverse impact on our financial results. Required modification of our existing principles, and new disclosure requirements, could have an impact on our results of operations and increase our expenses in order to implement and comply with any new requirements. Future changes to U.S. GAAP (we transitioned to U.S. GAAP beginning on January 1, 2023) or Statutory Accounting Principles could impact our product profitability, reserve and capital requirements, financial condition or results of operations.

Risks Relating to Our Relationship with Brookfield

Individuals who are members of the Partnership and also executives of Brookfield will exercise influence over our company and over any decisions requiring shareholder approval.

For close to 50 years, executives of Brookfield have held a substantial portion of their investment in Brookfield Class A Shares, as well as stewardship of the Brookfield Class B Shares, in partnership with one another, which we refer to as the "**Partnership**". Members of the Partnership include both current and former senior executives of Brookfield, each a "**Partner**" and collectively, the "**Partners**". The Class B Partners, who have been designated by the Partnership, hold as a group all of our outstanding class B shares through the BNRE Partnership. See Item 7.A "Major Shareholders". As the sole holder of the class B shares, the Class B Partners, through the BNRE Partnership, are entitled to elect one-half of our board and approve all other matters requiring shareholder approval. In addition, pursuant to the Administration Agreement, at our request, Brookfield provides the services of our Chief Executive Officer, Chief Financial Officer and our Chief Investment Officer. As a result, senior executives of Brookfield have oversight and influence over our company, including with respect to decisions relating to our capital structure or undertaking other extraordinary transactions. Given our ownership structure, the rationale for our formation and because each exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share, and as a result of the financial and other support Brookfield provides us, the interests of our company and Brookfield Corporation are strongly aligned. As a result, Brookfield's fiduciary duty to us and the manner in which it manages our investment activities will be different than the fiduciary duty it has with respect to and the manner in which it managers other Brookfield Accounts' investment activities. See Item 7.B "Related Party Transactions" and Item 3.D "Risk Factors — Risks Relating to Our Relationship with Brookfield — Our organizational, ownership and operational management structure, and investment management relationship with Brookfield, give rise to conflicts of interest". Nevertheless, the interests of the Class B Partners could differ from or conflict with the interests of our other shareholders in circumstances that we cannot foresee.

We depend on Brookfield under the Administration Agreement and the Investment Management Agreements and the departure of some or all of Brookfield's professionals could prevent us from achieving our objectives.

We rely on Brookfield with respect to the provision of certain administrative services, as described in Item 10.C "Material Contracts — The Administration Agreement". This means that our day-to-day operational matters and management, including the roles of our Chief Executive Officer, Chief Financial Officer and Chief Investment Officer, will be dependent, in part, upon Brookfield's ability to successfully hire, train, supervise, manage and retain its personnel and its ability to maintain its operating systems. The Administration Agreement does not require Brookfield to maintain the employment of any of its professionals or to cause any particular professionals to provide services to us or on our behalf. In addition, the employees of Brookfield that provide services to our company are not required to have as their primary responsibility the administration of our company or to act exclusively for our company. If our company were to lose the services provided by Brookfield, or if Brookfield fails to perform its obligations under the Administration Agreement, we may experience a material adverse impact on our business operations. We may be unable to duplicate the quality and depth of the services available to our company by handling such services internally or by retaining another service provider. Further, if our company were to lose the services provided by Brookfield, we may be forced to commence a search and to hire a new Chief Executive Officer, Chief Financial Officer or Chief Investment Officer. Any such process may prove lengthy and expensive and we may not be able to find a suitable replacement for some time due to the intense competition for skilled employees and where such a replacement is found it may be at a higher cost to our company. The inability to find a suitable replacement, or to find a suitable replacement at a comparable cost, could have a material adverse effect on our business operations.

The services provided by Brookfield pursuant to the Administration Agreement are provided on a cost-recovery basis. Therefore, if Brookfield should cease for whatever reason to provide such services, the cost of obtaining substitute services will likely be greater, and this may adversely affect our company's ability to meet its objectives and execute its strategy which could materially and adversely affect our cash flows, operating results and financial condition and our ability to make distributions to shareholders. In addition, for so long as the Support Agreement is in place, we have agreed not to appoint any direct competitor of Brookfield Corporation for the provision of any material administrative services or support services, including the provision of the services of any executive officer or senior management function, without the prior written consent of Brookfield. As a result, if Brookfield should cease for whatever reason to provide the services we require under the Administration Agreement, we would either be required to internalize such services, or look to hire a service provider other than a direct competitor to Brookfield Corporation.

In addition, we rely on Brookfield as an investment manager under the Investment Management Agreements. As a result of the Brookfield Arrangement, Brookfield Corporation holds a 75% interest in the Asset Management Company that provides these services. Accordingly, the Asset Management Company may not be economically fully aligned with our company in performing this function. Brookfield is not required to maintain the employment of any of its professionals or to cause any particular professionals to provide services to us or on our behalf. In addition, the employees of Brookfield that provide services to our company are not required to have as their primary responsibility the provision of investment management services to our company or to act exclusively for our company. Brookfield may provide similar services to other companies, including those who compete with us. If our company were to lose the investment management services provided by Brookfield, or if Brookfield fails to perform its obligations under the Investment Management Agreements adequately, we may experience a material adverse impact on our business operations. Our company has a limited ability to terminate our agreements entered into with Brookfield without Brookfield's consent.

Our company has a limited ability to terminate our agreements entered into with Brookfield without Brookfield's consent. For example, our company is not entitled to terminate the Administration Agreement unilaterally unless there is a material breach or default by Brookfield Corporation or Brookfield Corporation is insolvent. If Brookfield's performance under its agreements with us does not meet the expectations of our shareholders, or we are unable to terminate agreements restricting how we can conduct our business, the market price of our exchangeable shares could suffer. Item 10.C "Material Contracts".

While we will seek to leverage our relationship with Brookfield to access its investment management and asset allocation capabilities, there can be no assurance we will be able to achieve all the advantages we are seeking through such relationship.

In order for our company to execute our vision of being a leading reinsurer of liabilities and earn attractive risk-adjusted returns within our business, we will seek to leverage our relationship with Brookfield by, among other things, taking advantage of Brookfield's core attributes as a leading global asset management company (see Item 7.B "Related Party Transactions" for further information). We are a party to the Investment Management Agreements with the Asset Management Company in which Brookfield Corporation holds a 75% interest. Under these arrangements, the Asset Management Company has discretion over how certain investments are made and we cannot be assured as to how the Asset Management Company will manage our investments. As a result of the Brookfield Arrangement, the Asset Management Company is not fully economically aligned with our company, despite Brookfield Corporation continuing to hold a 75% interest. In addition, under the Support Agreement our company has agreed that, for so long as the Support Agreement is in place, subject to applicable regulatory approval and to approval by their respective board of directors, our operating subsidiaries are expected to, from time to time, appoint Brookfield as investment adviser and not appoint any other person to provide any investment management services without the prior consent of Brookfield. In addition, Brookfield Corporation has agreed that it will, or will cause the appropriate Brookfield entity to, accept such appointment. However, beyond the Investment Management Agreements, Brookfield does not have an agreement to provide our company with access to its investment management and asset allocation capabilities, institutional relationships or any other opportunities. As such, our company cannot be assured that we will be able to successfully derive all of the intended benefits of our relationship with Brookfield, which could have an adverse effect on our financial and operational results and our growth strategy.

Our organizational, ownership and operational management structure, and investment management relationship with Brookfield, give rise to conflicts of interest.

Our organizational, ownership and operational management structure, and investment management relationship with Brookfield, give rise to conflicts and conflicts of interest considerations, and result in Brookfield having a different fiduciary duty, and managing our company's investment activities in a different manner, relative to the fiduciary duty that Brookfield has, and the manner in which Brookfield manages the investment activities of other Brookfield Accounts. As noted elsewhere, each exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share and we therefore expect that the market price of our exchangeable shares will be impacted by the market price of the Brookfield Class A Shares and the business performance of Brookfield Corporation. Distributions on our exchangeable shares will be paid at the same time and in the same amount as dividends on the Brookfield Class A Shares to provide holders of our exchangeable shares with an economic return equivalent to holders of Brookfield Class A Shares. In addition, Brookfield Corporation owns all of the issued and outstanding class C shares, which are entitled to the residual economic interest in our company after payment in full of the amount due to holders of our class A exchangeable shares, class A-1 exchangeable shares and our class B shares (consisting of any declared and unpaid distributions, and the delivery of Brookfield Class A Shares or the cash equivalent on a redemption or liquidation) and subject to the prior rights of holders of our Preferred Shares. Except for the right to approve changes to the terms of the exchangeable shares and the Rights Agreement, or except where otherwise required by law, holders of exchangeable shares are not expected to receive an opportunity to consent to transactions involving Brookfield. Brookfield's investment management and other decisions on our behalf will take into account this economic equivalence and the fact that holders of our exchangeable shares will benefit from the performance of other Brookfield Accounts and Brookfield more generally. As a result, the scope of Brookfield's fiduciary duties to us under our Investment Management Agreements with Brookfield are different than that which Brookfield has to other Brookfield Accounts.

In addition to our organizational and ownership structure, we rely on Brookfield for both operational and financial support. For example, we rely on Brookfield to (i) serve as our investment manager pursuant to certain Investment Management Agreements; (ii) provide our Chief Executive Officer, Chief Financial Officer and Chief Investment Officer; and (iii) provide additional operational and financial support pursuant to the Support Agreement, Credit Agreement and Equity Commitment, as applicable. Our overall objective of leveraging Brookfield's experience, expertise, broad reach, relationships and position in the markets for, among other things, investments opportunities and deal flow, will result in us, among other things, investing in or alongside Brookfield-sponsored vehicles, insurance companies, consortiums, partnerships (including private funds, joint ventures and similar arrangements), and assets and/or portfolio companies managed by Brookfield and/or its related parties (collectively, "**Brookfield Accounts**"), as well as in acquisition financing and other loans to, leases and lease back transactions and insurance contracts and debt and equity securities issued by, Brookfield Accounts, including those in which Brookfield has an economic interest, and "warehousing" certain investments on behalf of Brookfield Accounts in which Brookfield expects to invest. Moreover, Brookfield's management of its broader platform, including the activities of and other considerations relating to Brookfield Accounts, give rise to conflicts of interest relating to (i) the allocation of investment opportunities between our company, on the one hand, and other Brookfield Accounts, on the other hand, (ii) affiliate and related party transactions between Brookfield and Brookfield Accounts, (iii) investments by our company and other Brookfield Accounts in different parts of a company's or asset's capital structure, (iv) the management of potentially adverse situations between our company and Brookfield and other Brookfield Accounts, on the other hand, and (v) Brookfield's economic interest in Brookfield Accounts and these activities (including via compensation arrangements) and related considerations.

As a result of our organizational and ownership structure (in particular the structure of the exchangeable shares described above) and our broader operational and financial agreements with Brookfield, the scope of our advisory relationship with Brookfield is different than its advisory relationship with other Brookfield Accounts, and there will be different risks applicable to us compared to other Brookfield Accounts. While Brookfield will act in our best interest consistent with our overall investment mandate and objectives (taking into account, among others, our obligations to insurance companies and pursuing an investment portfolio that is suitable for our company from a risk-return perspective), Brookfield expects to manage our investment accounts similar to how it manages itself and its wholly-owned subsidiaries, particularly in connection with investments that give rise to conflicts of interest considerations vis-à-vis other Brookfield Accounts. Given this management approach, Brookfield manages our investment activities differently than how it manages the investment activities of other Brookfield Accounts (and differently than it would have under different circumstances under which Brookfield did not have other Brookfield Accounts). This management approach affects, among other things, the type of investment opportunities that are allocated to us, how Brookfield addresses conflicts of interest that arise in managing our investments and other activities, the provision of financing and refinancing arrangements, and/or other transactions between Brookfield and other Brookfield Accounts, on the one hand, and us, on the other hand.

Our investment program and conflicts protocols are designed to address the factors noted above. Such program and protocols include certain investment guidelines and restrictions on our investments in securities issued by (and loans made to) Brookfield Accounts, such as exposure limits, a passive investment strategy and other controls (designed to ensure that potential adverse interests between our accounts and other Brookfield Accounts invested in different parts of an issuer's capital structure can be appropriately managed in satisfaction of Brookfield's fiduciary duties to other Brookfield Accounts). Further, in order to ensure that Brookfield can appropriately manage the Brookfield Accounts consistent with its fiduciary obligations to them, Brookfield Accounts (including ones in which we invest) generally have priority with respect to investment opportunities that are suitable for their mandates. Moreover, from time to time, we may provide financing (or refinancing) arrangements to Brookfield Accounts at a lower cost or otherwise on more favorable terms relative to other third-party lenders and/or arrangements.

Brookfield has also implemented policies and procedures governing regulatory consent requirements for transactions involving our accounts, including insurance or reinsurance companies or cedant accounts that comprise the asset pool backing a reinsurance arrangement (which may include Brookfield assets) (collectively, the "**BNRE Related Account Group**") that raise conflicts of interest considerations relating to cross and principal transactions. Among others, these include:

1. Asset transfers within the BNRE Related Account Group, including purchases and sales of investments among our company and cedant accounts ("**Related Account Group Transactions**");

2. BNRE Related Account Group investments in securities issued by and loans to Brookfield-controlled assets and/or portfolio companies, including assets and portfolio companies in which Brookfield has an interest;

3. BNRE Related Account Group commitments to invest in Brookfield-managed funds; and

4. Transfers of assets from Brookfield to the BNRE Related Account Group, including cedant accounts, including upon the opening of such accounts (2 through 4 collectively, "**Cross Account Group Transactions**").

Under its policies and procedures, Brookfield will obtain prior approval for Cross Account Group Transactions, whether or not they are deemed to be that constitute principal transactions (and for any transaction in loans or other instruments that would constitute a principal transaction but for the fact that it is not a transaction in a security), from a senior employee of our the relevant insurance company subsidiary or reinsurance company subsidiary that acts as the reinsurer in respect of the relevant account and who is designated to provide such approval. These senior employees are expected to be associated with Brookfield, and subject to actual or potential conflicts of interest in providing such consent. Post-transaction ratification will also be provided on a quarterly basis by the independent members of the investment committee of the board of directors of the relevant insurance or reinsurance company. These consents are designed to satisfy regulatory consent requirements and are binding upon us. In addition, Brookfield has implemented pricing guidelines to ensure that our investments are executed at fair market values on arm's length terms.

Brookfield does not expect to seek consent for Related Account Group Transactions in the ordinary course because Brookfield believes such transactions are not cross or principal transactions. Rather, Brookfield believes these asset transfers are transactions effected at fair market value or statutory book value within a single economic group, in accordance with Brookfield's valuation and accounting policies and procedures, which do not impact the expected return of any reinsurance counterparties within the BNRE Related Account Group. Additionally, third-party cedants do not bear the economic risk relating to the cedant accounts but, rather, are owed a guaranteed return by the applicable reinsurance subsidiary of our company and have a right to access underlying investments in the accounts to the extent such reinsurance subsidiary defaults on its payment obligations under the terms of the applicable reinsurance treaty. Our company therefore holds all of the economic risk in connection with any Related Account Group Transaction. These policies and procedures for managing conflicts will be different than the approach Brookfield takes for its other advisory clients.

Given the following factors, we expect that our and our shareholders' interests and Brookfield's interests will be strongly aligned: (i) our organizational and ownership structure, (ii) the rationale for our formation, (iii) the fact that each exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share and be convertible into the same, and (iv) the financial and other support Brookfield is providing to us through various support agreements. Moreover, we believe that Brookfield's interests in managing its other Brookfield Accounts (including ones in which we invest) in accordance with its fiduciary duties to them strongly align with our own interests and that prioritizing other Brookfield Accounts (including ones in which we invest) is ultimately in our and our shareholders' best economic interest as the potential benefits that would accrue to Brookfield and its shareholders would similarly accrue equally to us and our shareholders. See Item 7.B "Related Party Transactions".

Arrangements with Brookfield, which will apply to our company, were negotiated in the context of an affiliated relationship and may contain terms that are less favorable than those which otherwise might have been obtained from unrelated parties.

The terms of certain arrangements with Brookfield that currently apply to our company have been effectively determined by Brookfield. These terms, including terms relating to the support Brookfield provides to us, may be less favorable than otherwise might have resulted if the negotiations had involved unrelated parties.

Risks Relating to Taxation

General Tax Risks

Our aggregate tax liability and effective tax rate could be adversely affected in the future by changes in the tax laws of the countries in which we operate, including as a result of ongoing efforts by the member countries of the Organisation for Economic Co-operation and Development ("OECD").

We have operations in various countries that have differing tax laws and rates. Our tax reporting is supported by current domestic tax laws in the countries in which we operate and the application of tax treaties between the various countries in which we operate. Our income tax reporting is subject to audit by domestic and foreign authorities. Our effective tax rate may change from year to year based on changes in the mix of activities and income earned among the different jurisdictions in which we operate, changes in tax laws in these jurisdictions, changes in the tax treaties between various countries in which we operate, changes in our eligibility for benefits under those tax treaties, and changes in the estimated values of deferred tax assets and liabilities. Tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, or other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Such changes could result in a substantial increase in our aggregate tax liability and the effective tax rate on all or a portion of our income.

In recent years, the OECD, with the support of the G20, has developed proposals to address perceived base erosion and profit shifting ("**BEPS**"). BEPS refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to locations with low or no tax and little or no economic activity, for the purpose of reducing a multinational group's aggregate tax liability. In 2021, the OECD/G20 Inclusive Framework on BEPS published a statement updating and finalizing the key components of a "two pillar" plan for global tax reform, as agreed among a number of countries across the globe. Pillar I addresses tax nexus and the allocation of profits for tax purposes. Under Pillar II, a global minimum tax at the rate of 15% would be imposed on certain companies whose revenues exceed a threshold. In December 2022, the member states of the European Union unanimously voted to adopt the OECD's minimum tax rules and phase them into national law, and in February 2023 the OECD released technical guidance on the global minimum tax which was agreed by consensus of the BEPS 2.0 (Pillars I and II) signatory jurisdictions. Under the European Union's minimum tax directive, member states are to adopt domestic legislation implementing the minimum tax rules effective for periods beginning on or after December 31, 2023, with the "under-taxed profit rule" to take effect for periods beginning on or after December 31, 2024. Legislatures in multiple countries outside of the European Union have also drafted legislation to implement the OECD's minimum tax proposal. As a result of these developments, the tax laws of certain countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes, including the adoption of the global minimum tax rules, could have a material adverse effect on our aggregate tax liability and effective tax rate in the future.

Bermuda Tax Risks

Our company could in the future become subject to income tax in Bermuda.

Under current Bermuda law, there is no income, corporate or profits tax or withholding tax, capital gains tax or capital transfer tax payable by the company. The company has applied for and has obtained from the Minister of Finance under The Exempted Undertaking Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, then the imposition of any such tax shall not be applicable to the company or to any of its operations or its shares, debentures or other obligations, until March 31, 2035. The company could be subject to taxes in Bermuda after that date. This assurance is subject to the proviso that it is not to be construed so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the application of any tax payable in accordance with the provisions of the Land Tax Act 1967 or otherwise payable in relation to any property leased to the company. The company pays annual Bermuda government fees and one or more licensed Bermuda subsidiaries pay annual insurance license fees. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government.

Canadian Tax Risks

The exchange of class A exchangeable shares for Brookfield Class A Shares pursuant to the exercise of the exchange right will result in a disposition of the class A exchangeable shares for Canadian federal income tax purposes.

The exchange of class A exchangeable shares for Brookfield Class A Shares pursuant to the exercise of the exchange right will result in a disposition of the class A exchangeable shares for Canadian federal income tax purposes. Resident Holders (as defined herein) generally will be subject to Canadian federal income tax on any resulting capital gain as further described under "Certain Material Canadian Federal Income Tax Considerations — Taxation of Holders Resident in Canada". Non-Resident Holders (as defined herein) generally will not be subject to Canadian federal income tax on any resulting capital gain unless the class A exchangeable shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder as further described under "Certain Material Canadian Federal Income Tax Considerations — Taxation of Holders not Resident in Canada".

Dividends received or deemed to be received by Resident Holders on the class A exchangeable shares will not be subject to the same Canadian federal income tax treatment as taxable dividends received or deemed to be received by Resident Holders from "taxable Canadian corporations".

Dividends received (or deemed to be received) on the class A exchangeable shares by a Resident Holder who is an individual will be included in computing the Resident Holder's income and will not be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from "taxable Canadian corporations" (as defined in the Tax Act).

Dividends received on the class A exchangeable shares by a Resident Holder that is a corporation will be included in computing the corporate Resident Holder's income and such Resident Holder will not be entitled to the inter-corporate dividend deduction in computing taxable income which generally applies to dividends received from taxable Canadian corporations.

Changes in Canadian federal income tax law might adversely affect our shareholders.

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects our shareholders or Brookfield Corporation, our company or their affiliates. Any such developments may have a material adverse effect on our shareholders or the business, financial condition, and operating results of Brookfield Corporation, our company or any of their affiliates.

There can be no assurance that the class A exchangeable shares or Brookfield Class A Shares will continue to be qualified investments for Registered Plans.

Our company and Brookfield Corporation, as applicable, will endeavor to ensure that the class A exchangeable shares and Brookfield Class A Shares, as applicable, continue to be qualified investments for Registered Plans. However, no assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by Registered Plans. See Item 10.E "Taxation — Certain Material Canadian Federal Income Tax Considerations — Eligibility for Investment".

U.S. Tax Risks

The U.S. federal base erosion and anti-abuse tax may significantly increase our tax liability.

Our U.S. subsidiaries may be subject to the base erosion and anti-abuse tax ("**BEAT**"). The BEAT operates as a minimum tax and generally is calculated as a percentage (10% for certain taxable years before 2026 and 12.5% thereafter) of the "modified taxable income" of an "applicable taxpayer". Modified taxable income is calculated by adding back to a taxpayer's regular taxable income the amount of certain "base erosion tax benefits" with respect to certain payments made to non-U.S. affiliates, as well as the "base erosion percentage" of any net operating loss deductions. The BEAT applies only to the extent it exceeds a taxpayer's regular corporate income tax liability (determined without regard to certain tax credits) and only in years in which the "base erosion percentage" exceeds a specified percentage. If applicable in any given year, the BEAT may significantly increase the tax liability of our U.S. subsidiaries for such year.

Our company or our non-U.S. subsidiaries may be subject to U.S. federal income taxation in an amount greater than expected, which could have a material adverse effect on our financial condition and operating results.

Our company and certain of its subsidiaries are treated as foreign corporations under the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). Any such non-U.S. subsidiary that is considered to be engaged in a trade or business in the United States generally will be subject to U.S. federal income taxation on a net basis on its income that is effectively connected with such U.S. trade or business (including a branch profits tax on the portion of its earnings and profits that is attributable to such income, subject to certain adjustments), unless otherwise provided under an applicable income tax treaty. In addition, a non-U.S. subsidiary generally will be subject to U.S. federal income taxation on a gross basis on certain U.S.-source income, as well as a U.S. federal excise tax on certain premiums earned on insurance with respect to U.S. risks that are not effectively connected with a U.S. trade or business, unless otherwise provided under an applicable income tax treaty.

We expect each of our non-U.S. subsidiaries to operate in a manner that will not cause it to be treated as engaged in a trade or business within the United States or, if applicable under an income tax treaty, engaged in a trade or business in the United States through a permanent establishment. However, the potential application of the BEAT (discussed above), the complex application of the rules for determining the U.S. federal income tax liability of a corporation under U.S. federal income tax reform legislation signed into law on December 22, 2017 (the "**Tax Cuts and Jobs Act**"), and other factors, including any future tax legislation, may cause some or all of the non-U.S. subsidiaries to conduct business differently. Moreover, there is considerable uncertainty as to when a foreign corporation is engaged in a trade or business within the United States and as to what constitutes a permanent establishment under the applicable tax treaties.

Based on such uncertainty, there can be no assurance that the U.S. Internal Revenue Service (the "**IRS**") will not contend successfully that one or more of our non-U.S. subsidiaries is engaged in a trade or business (or carrying on business through a permanent establishment) in the United States. If one or more of the non-U.S. subsidiaries were treated as engaged in a trade or business (or carrying on business through a permanent establishment) in the United States, then such non-U.S. subsidiaries could be subject to U.S. federal income taxation on the portion of their net income treated as effectively connected with a U.S. trade or business (or their business profits attributable to a U.S. permanent establishment), as well as the U.S. branch profits tax. Any such U.S. federal income taxation could result in substantial tax liabilities and consequently could have a material adverse effect on our business, financial condition, and operating results.

Changes in U.S. tax law might adversely affect us or our shareholders.

The tax treatment of our company and its subsidiaries may be the subject of future U.S. tax legislation. We cannot predict whether any particular proposed legislation will be enacted or, if enacted, what the specific provisions or the effective date of any such legislation would be, or whether it would have any effect on our company or its subsidiaries. No assurance can be provided that future legislative, administrative, or judicial developments will not result in an increase in the amount of U.S. tax payable by our company, its subsidiaries, or shareholders. Any such developments could have a material and adverse effect on shareholders or our business, financial condition, and operating results.

If our company is classified as a passive foreign investment company, U.S. persons who own class A exchangeable shares could be subject to adverse U.S federal income tax consequences.

If our company is classified as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes, a U.S. Holder (as defined below) who owns class A exchangeable shares could be subject to adverse tax consequences, including a greater tax liability than might otherwise apply, an interest charge on certain taxes deemed deferred as a result of our company's non-U.S. status, and additional U.S. tax filing obligations, regardless of the number of class A exchangeable shares owned.

In general, a non-U.S. corporation will be a PFIC during a taxable year if (i) 75% or more of its gross income constitutes passive income or (ii) 50% or more of its assets produce, or are held for the production of, passive income. For these purposes, passive income generally includes interest, dividends, and other investment income. However, under an "active insurance" exception, income is not treated as passive if it is derived in the "active conduct" of an insurance business by a "qualifying insurance corporation". The IRS has issued final and proposed regulations providing guidance on various aspects of the PFIC rules, including the active insurance exception. The proposed regulations will not be effective unless and until they are adopted in final form, although taxpayers generally may rely on the proposed regulations before adoption, provided the proposed regulations are applied consistently.

Based on the current and expected income, assets, and activities of our company, we do not expect our company to be classified as a PFIC for the current taxable year or in the foreseeable future. However, there is significant uncertainty regarding the application of the final and proposed regulations. The IRS has requested comments on several aspects of the proposed regulations governing the active conduct of an insurance business, and it is uncertain when the proposed regulations will be made final or whether the provisions of any final or temporary regulations will vary from the proposed regulations. Moreover, the PFIC determination is made annually at the end of each taxable year and depends on a number of factors, some of which are beyond our company's control, including the value of our company's assets and the amount and type of its income. Accordingly, there can be no assurance that our company or any of its non-U.S. subsidiaries will not be classified as a PFIC for any taxable year or that the IRS will agree with our company's belief regarding its PFIC status. U.S. Holders are urged to consult their tax advisers regarding the application of the PFIC rules, including the final and proposed regulations, with respect to their ownership and disposition of class A exchangeable shares.

If any of our non-U.S. subsidiaries is determined to have related person insurance income, U.S. persons who own class A exchangeable shares may be subject to U.S. federal income taxation on their pro rata share of such income.

If, for U.S. federal income tax purposes, any of our non-U.S. subsidiaries is treated as recognizing "related person insurance income" ("**RPII**") in a taxable year and is also treated for such purposes in such taxable year as a "controlled foreign corporation" (an "**RPII CFC**"), then each U.S. person that owns class A exchangeable shares directly or indirectly through non-U.S. entities as of the last day in such taxable year generally must include in gross income its pro rata share of the RPII, determined as if the RPII were distributed proportionately only to all such U.S. persons, regardless of whether that income is distributed (with certain adjustments). A U.S. Holder that is a tax-exempt organization would be required to treat RPII as unrelated business taxable income.

RPII generally is any income of a non-U.S. corporation attributable to insuring or reinsuring risks of a U.S. person that owns (or is treated as owning) stock of such non-U.S. corporation, or risks of a person that is treated as related to such U.S. person for U.S. federal income tax purposes. However, the RPII rules do not apply to income derived from a non-U.S. insurance subsidiary if (i) direct and indirect insureds and persons related to such insureds, whether or not U.S. persons, are treated as owning (directly or indirectly through entities) less than 20% of the voting power and less than 20% of the value of the shares of such non-U.S. insurance subsidiary or (ii) RPII, determined on a gross basis, is less than 20% of the gross insurance income of such non-U.S. insurance subsidiary for the taxable year. In general, our company believes that its non-U.S. insurance subsidiaries are likely to have operated in such a manner as to qualify for at least one of the foregoing exceptions. However, our company does not track the identity of shareholders or persons who are insured by its subsidiaries for this purpose, and therefore our company has made no formal determination as to whether either of the foregoing exceptions applies to any of its non-U.S. subsidiaries.

The IRS has issued proposed regulations providing guidance on certain aspects of the determination of RPII, including RPII arising from insurance coverage of a person related to a U.S. shareholder of a RPII CFC, as well as certain "cross-insurance" arrangements. Although we continue to evaluate the implications of the proposed regulations, we do not expect the proposed regulations, if finalized as proposed, to cause U.S. Holders to be treated as earning RPII.

The application of the RPII rules to U.S. Holders is subject to uncertainty. Accordingly, there can be no assurance that the above RPII rules will not apply or that the IRS will agree with our company's conclusions regarding the application of the RPII rules. U.S. Holders are urged to consult their tax advisers regarding the application of the RPII rules, including the proposed regulations, with respect to their ownership and disposition of class A exchangeable shares.

U.S. persons who sell or otherwise dispose of class A exchangeable shares in a taxable transaction may be required to treat gain as ordinary income for U.S. federal income tax purposes and comply with certain reporting requirements.

In general, if a U.S. person sells or taxably disposes of shares of a non-U.S. corporation that would be taxed under the provisions of the Code applicable to U.S. insurance companies if it were a U.S. corporation, and the non-U.S. corporation is (or would be but for certain exceptions) treated as an RPII CFC, then any gain realized on the disposition may be recharacterized as a dividend to the extent of the U.S. person's share of the corporation's undistributed earnings and profits that were accumulated during the period that the U.S. person owned the shares (possibly whether or not those earnings and profits are attributable to RPII). In addition, the shareholder might be required to comply with certain reporting requirements, regardless of the number of shares owned.

Our company does not directly engage in an insurance or reinsurance business, but it has non-U.S. subsidiaries that do so. Based on the absence of legal authority, there is a strong argument that gain realized upon the disposition of class A exchangeable shares should not be recharacterized as a dividend for U.S. federal income tax purposes under this special rule, because our company is not directly engaged in the insurance business. However, there can be no assurance that the IRS will not successfully assert this tax treatment applies in such circumstances and thus may apply to a U.S. Holder who recognizes taxable gain from the sale or other taxable disposition of class A exchangeable shares. U.S. Holders are urged to consult their tax advisers regarding the application of the foregoing rules to their ownership and disposition of class A exchangeable shares.

We may become subject to U.S. withholding tax under FATCA.

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**") impose a 30% withholding tax on "withholdable payments" made to a "foreign financial institution" or a "non-financial foreign entity", unless such financial institution or entity satisfies certain information reporting or other requirements. Withholdable payments include certain U.S.-source income, such as interest, dividends, and other passive income. We intend to comply with FATCA, so as to ensure that the 30% withholding tax does not apply to any withholdable payments received by our company or any of our non-U.S. subsidiaries. However, no assurance can be provided in this regard. We may become subject to withholding tax or penalties if we are unable to comply with FATCA.

There is U.S. income tax risk associated with reinsurance between U.S. insurance companies and their non-U.S. affiliates.

If a reinsurance agreement is entered into among related parties, the IRS is permitted to reallocate or recharacterize income, deductions, or certain other items, and to make any other adjustment, to reflect the proper amount, source, or character of the taxable income of each of the parties. If the IRS were to successfully challenge our reinsurance arrangements, then our business, financial condition, and operating results could be adversely affected.

The treatment of the class A exchangeable shares for U.S. federal income tax purposes is uncertain.

The U.S. federal income tax consequences to U.S. Holders of the ownership and disposition of class A exchangeable shares depend, in part, on whether the class A exchangeable shares are, for U.S. federal income tax purposes, treated as stock of our company. No authority directly addresses the U.S. federal income tax treatment of a security with terms and related rights similar to the class A exchangeable shares, and therefore the tax treatment of the class A exchangeable shares is uncertain. We treat the class A exchangeable shares as stock of our company for all U.S. federal income tax purposes, but alternative characterizations are possible. For example, the IRS or a court might characterize the class A exchangeable shares and related rights as Brookfield Class A Shares or as a derivative financial instrument, with complex and uncertain tax consequences that could be materially different from the consequences described in this Form 20-F. No assurance can be provided that the IRS or a court will agree with our position that the class A exchangeable shares constitute stock of our company, and the U.S. federal income tax consequences of an alternative characterization of the class A exchangeable shares could be materially adverse to U.S. Holders. U.S. Holders are urged to consult their tax advisers regarding the proper treatment of the class A exchangeable shares for U.S. federal income tax purposes.

The exchange of class A exchangeable shares for Brookfield Class A Shares pursuant to the exercise of the exchange right may result in the U.S. federal income taxation of any gain realized by a U.S. Holder.

In general, a U.S. Holder is expected to recognize capital gain or loss for U.S. federal income tax purposes upon the exchange of class A exchangeable shares for Brookfield Class A Shares pursuant to the exercise of the exchange right equal to the difference between the amount realized upon the exchange and the holder's adjusted tax basis in the class A exchangeable shares. The amount realized will equal the amount of cash, if any, plus the fair market value of the Brookfield Class A Shares received upon exercise of the exchange right.

ITEM 4. INFORMATION ON THE COMPANY

4.A HISTORY AND DEVELOPMENT OF THE COMPANY

Overview

Our company was incorporated on December 10, 2020 under the Bermuda Act as an exempted company limited by shares. Our company was established by Brookfield Corporation to own and operate a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. In doing so, we seek to match our liabilities with a portfolio of high-quality investments in order to generate attractive, risk-adjusted returns within our business. We leverage our relationship with Brookfield in order to opportunistically source new business and deploy our capital in assets that are tailored to our investment needs. Our relationship with Brookfield provides us with access to a diverse mix of leading alternative investment strategies that we believe are well-suited for this purpose.

The class A exchangeable shares are listed on the NYSE and the TSX under the symbol “BNRE”.

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and other information as a foreign private issuer with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information relating to our company. The site is located at http://www.sec.gov. Similar information can also be found on our website at https://bnre.brookfield.com. In addition to carefully considering the disclosure made in this Form 20-F, shareholders are strongly encouraged to carefully review Brookfield Corporation’s periodic reporting. Brookfield Corporation is required to file reports, including annual reports on Form 40-F, and other information with the SEC. Brookfield Corporation’s SEC filings are available to the public from the SEC’s website noted above. Copies of documents that have been filed with the Canadian securities authorities can be obtained at www.sedar.com. Information about Brookfield Corporation, including its SEC filings, is also available on its website at https://brookfield.com. The information found on, or accessible through, our or Brookfield Corporation’s website does not form part of this Form 20-F. See also Item 10.H “Documents on Display”.

Recent Developments

2023

Argo Group Acquisition

On February 8, 2023, our company entered into a definitive merger agreement with Argo Group, whereby our company will acquire Argo Group in an all-cash transaction valued at approximately $1.1 billion (the “**Argo Group Acquisition**”).

Argo Group is a distinctive U.S. focused underwriter of specialty insurance products with well-established businesses operating in the property and casualty market. Argo offers a full line of products and services designed to meet the unique coverage and claims handling needs of businesses. Following closing of the Argo Group Acquisition, Argo Group will further diversify our operations by adding a foundational piece to our expanding U.S. property and casualty operations.

The Argo Group Acquisition is expected to close in the second half of 2023, subject to approval by Argo Group shareholders and other closing conditions customary for a transaction of this type, including insurance regulatory approvals in relevant jurisdictions and the expiration of termination of the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976.

2022

Special Distribution

On December 9, 2022, Brookfield Corporation (formerly Brookfield Asset Management Inc.) completed the public listing and distribution of a 25% interest in its asset management business, through Brookfield Asset Management Ltd. by way of a plan of arrangement (the "**Brookfield Arrangement**"). The Brookfield Arrangement resulted in the division of Brookfield Asset Management Inc. into two publicly traded companies – Brookfield Corporation and Brookfield Asset Management.

In connection with the Brookfield Arrangement, our company completed the previously announced special distribution (the "**Special Distribution**") of shares of Brookfield Asset Management Ltd. to the holders of our company's class A exchangeable shares and class B shares. Pursuant to the Special Distribution, holders of our class A exchangeable shares and class B shares received one (1) share of Brookfield Asset Management Ltd. for every four (4) class A exchangeable shares or class B shares held as of the record date for the Special Distribution, while retaining their shares of our company. The Special Distribution was completed by way of a return of capital, resulting in a reduction to the par value of the class A exchangeable shares and class B shares of our company in the amount of US$5.481 per share.

Name Change

On December 9, 2022, our company announced that it had changed its name from "Brookfield Asset Management Reinsurance Partners Ltd." to "Brookfield Reinsurance Ltd." in order to facilitate continuing alignment between the names of our company and Brookfield Corporation following the completion of the Brookfield Arrangement. Our company's class A exchangeable shares listed on each of the New York Stock Exchange and the Toronto Stock Exchange also began trading under our new name and trading symbol "BNRE" at market open on December 14, 2022. Our class A exchangeable shares continue to be the economic equivalent of Brookfield Class A Shares and remain exchangeable on a one for one basis.

Appointment of Chief Financial Officer and Chief Investment Officer

On August 11, 2022 our company announced the appointment of Thomas Corbett as Chief Financial Officer and Lorenzo Lorilla as Chief Investment Officer.

American National

On May 25, 2022 our company completed the acquisition of American National in an all-cash transaction valued at approximately $5.1 billion. Under the terms of the transaction, our company acquired all issued and outstanding shares of American National at a price of $190 per share.

American National is the parent company of the American National companies, including American National Insurance Company, which was founded in 1905 and is headquartered in Galveston, Texas. American National offers a broad line of products and services, which include life insurance, annuities, health insurance, credit insurance, pension products and property and casualty insurance for personal lines, agribusiness and certain commercial exposures. The American National companies operate in all 50 states.

American National has become the platform for our company's direct insurance operations in the U.S., including origination of life, annuity and property and casualty insurance policies and is also expected to be the platform for further growth of our company in the United States. American National will maintain its headquarters in Galveston, TX, its presence in League City, TX, and operating hubs in Springfield, MO and Albany, NY.

AEILIC Strategic Partnership

On January 7, 2022, we purchased an additional 6,775,000 shares of common stock of AEL Holdings, bringing our total combined equity interest in AEL Holdings to approximately 18.74% as of the date of this Form 20-F. We acquired the additional shares of AEL Holdings at a price of $37.33 per share, being the adjusted book value of AEL Holdings as of September 30, 2021, for total consideration of approximately $253 million.

2021

AEILIC Strategic Partnership

On June 24, 2021, we acquired 9,106,042 common shares of AEL Holdings from Brookfield, together with the right under the AEL Investment Agreement to acquire additional shares of common stock of AEL Holdings in order to increase our equity interest to up to 19.9% (and not less than 15%) of the issued and outstanding shares of common stock of AEL Holdings. On June 10, 2021, our company was issued 3,021 restricted common stock of AEL Holdings as compensation for director services provided by Sachin Shah, the CEO of our company to AEL Holdings.

On October 11, 2021, we announced the closing of our previously-announced transaction to reinsure up to $10 billion of annuity products issued by AEILIC, a subsidiary of AEL Holdings. Under the agreement, our company has reinsured a block of approximately $4 billion of in-force policies and has agreed to reinsure up to an additional approximately $6 billion of AEL Holding's "IncomeShield" or other mutually agreed liabilities issued by AEILIC on a flow basis. As of December 31, 2022, we had reinsured approximately $1.6 billion of liabilities on a flow basis under the agreement.

4.B BUSINESS OVERVIEW

Overview

Our company operates a capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. Our business is presently conducted through our subsidiaries under three operating segments, which we refer to as our reinsurance business, our Pension Risk Transfer ("**PRT**") business and our direct insurance business.

Direct Insurance

American National has become the platform for our third primary operating line: direct origination of life, annuity and property and casualty insurance policies, which we refer to as direct insurance.

American National, founded in 1905 and headquartered in Galveston, Texas, offers a broad spectrum of products and services through its subsidiaries, which include life insurance, annuities, property and casualty insurance, health insurance, credit insurance, and pension products. The American National companies operate in all 50 states, the District of Columbia and Puerto Rico.

Following closing of the Argo Group Acquisition, we expect that Argo Group will further expand the property and casualty business of our direct insurance operating segment.

Life Insurance

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Universal Life. Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates during the contract period, subject to policy specific minimums. An equity-indexed universal life product is credited with interest using a return that is based, in part, on changes in an index, such as the Standard & Poor's 500 Index ("**S&P 500**"), subject to a specified minimum.

Variable Universal Life. Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the securities selected by the policyholder held in the separate account.

Credit Life Insurance. Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay to the lender the borrower's remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuities

Deferred Annuities. A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value. An equity-indexed deferred annuity is credited with interest using a return that is based, in part, on changes in an index, such as the S&P 500, subject to a specified minimum.

Single Premium Immediate Annuity. A Single Premium Immediate Annuity is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant's life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuities. With a variable annuity, the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits.

Property and Casualty

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners, and other similar exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner's property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles, and umbrella protection coverage.

Commercial Lines. Commercial lines are primarily focused on providing insurance to agricultural related operations and small to midsize businesses. This includes property and casualty coverage tailored for a farm, ranch, or other agricultural-related businesses. Commercial auto insurance is typically issued in conjunction with the sale of our policies covering farms, ranches, and businesses and covers specific risks involved in owning and operating motor vehicles. Business owners' property and liability insurance, workers' compensation insurance, and other commercial insurance encompassing umbrella protection coverage and other liability coverages, are also offered.

Specialty Markets. Specialty Markets products include renters, mortgage security, aviation, private flood, and credit insurance. Credit insurance provides protection to borrowers and the creditors that extend credit to them against unpaid indebtedness as a result of death, disability, involuntary unemployment, or untimely loss to the collateral securing a personal or mortgage loan.

- *Collateral or Creditor Protection Insurance*. Collateral or Creditor Protection Insurance provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor's interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.

- *Guaranteed Auto Protection or Guaranteed Asset Protection*. Guaranteed Auto Protection or Guaranteed Asset Protection insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

As of December 31, 2022, American National and its subsidiaries had $19.7 billion of future policy benefits and policyholder account balances.

Reinsurance

Within our reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers operating in North America and Western Europe.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on fixed annuity contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. Fixed index annuity's provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on fixed index annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our reinsurance business through licensed operating companies, North End Re (Cayman) SPC ("**NER SPC**") and North End Re Ltd ("**NER Ltd.**"). As of the date of this Form 20-F, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure a block of U.S. annuities and fixed indexed annuities. As of December 31, 2022, NER SPC and NER Ltd. had $5.9 billion and $1.5 billion of future policy benefits, respectively.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated through Brookfield Annuity Company ("**BAC**"), a Canadian domiciled, licensed and regulated direct life insurance company and American National Insurance Company ("**ANICO**"), a Texas-domiciled licensed and regulated direct insurance company.

BAC was incorporated in August 2016 and wrote its first group annuity policy in the first quarter of 2017. As of December 31, 2022, BAC had $3.0 billion (December 31, 2021 - $2.2 billion) of future policy benefits. ANICO launched its US PRT business and entered into its first ever PRT transaction in the fourth quarter of 2022. We expect ANICO to continue to be active in the US PRT market in 2023.

Investment Strategy

Our ability to match liabilities with a portfolio of high-quality investments is integral to our overall strategy. We leverage our strategic relationship with Brookfield in order to gain access to higher-yielding alternative assets that are well-matched to our liabilities and in turn earn attractive risk-adjusted returns within our business.

Brookfield Corporation is focused on deploying its capital on a value basis and compounding it over the long term. This capital is allocated across its three core pillars of asset management, insurance solutions and its operating businesses. Employing a disciplined investment approach, Brookfield Corporation leverages its deep expertise as an owner and operator of real assets, as well as the scale and flexibility of its capital, to create value and deliver strong risk-adjusted returns across market cycles.

Brookfield Asset Management is a leading global alternative asset manager with over $800 billion of assets under management across real estate, infrastructure, renewable power and transition, private equity and credit. It invests client capital for the long-term with a focus on real assets and essential service businesses that form the backbone of the global economy. It offers a range of alternative investment products to investors around the world — including public and private pension plans, endowments and foundations, sovereign wealth funds, financial institutions, insurance companies and private wealth investors. It draws on Brookfield's heritage as an owner and operator to invest for value and seeks to generate strong returns for its clients, across economic cycles.

Brookfield's global alternative asset management business is owned 75% by Brookfield Corporation and 25% by Brookfield Asset Management through their ownership of common shares of the Asset Management Company.

Brookfield provides our operating subsidiaries with a full suite of services relating to our investment portfolios, including direct investment management, asset allocation and portfolio optimization, direct origination and investment structuring and various associated support services including investment compliance, accounting, reporting, tax and legal. We receive these services from Brookfield under the terms of the investment management agreements between Brookfield and our operating subsidiaries. See Item 10.C "Material Contracts — Investment Management Agreements".

In sourcing investment opportunities for our company, Brookfield takes into consideration the unique characteristics of our business, including the nature of our liabilities, our overall risk tolerance and the macroeconomic environment in which we operate. In its capacity as investment manager, Brookfield is bound at all times by the investment guidelines attaching to our various investment accounts, which are set by our operating companies in consideration of the specific legal, contractual and commercial requirements of such accounts in addition to our overall investment objectives.

Competition

Our business faces competition from both well established players and new entrants in the industry, including insurance and reinsurance companies, financial institutions and traditional and alternative asset managers. The reinsurance market is increasingly competitive as globally and traditional life and annuity insurance providers are challenged to find places to invest into stable, income-oriented investment products using their existing investment capabilities and are looking to external parties to reinsure existing liabilities. Competition within our annuities reinsurance business includes other insurance and reinsurance companies, larger-scale pension plans and asset management firms that provide long duration capital.

In the PRT market in Canada, there are currently six large-scale national institutions who we consider competitors. In the PRT market in the US, there are currently 20 diversified industry participants who we consider competitors. There is the potential for the entry of global insurers into the Canadian and US markets. Our competition includes life and annuity companies and diversified financial institutions.

Within our direct insurance business, strong competition for customers has led to increased marketing and advertising by our competitors, many of whom have well-established national reputations and greater financial and marketing resources, as well as the introduction of new insurance products and aggressive pricing. These competitive pressures could result in increased pricing pressures on a number of our products and services, particularly as competitors seek to win market share, and may limit our ability to maintain or increase our profitability. Because of its relatively low cost of entry, the Internet has emerged as a significant place of new competition, both from existing competitors and new competitors. In addition, product development and life-cycles have shortened in many product segments, leading to intense competition with respect to product features.

There is also growing competition in the pursuit of inorganic growth through investments and/or strategic partnerships in insurers and reinsurers. Overall, we face competition from other well-capitalized insurance companies, financial institutions and alternative asset managers looking to grow through direct investment and platform acquisitions. We believe our history of executing on complex, large scale transactions, together with our relationship with Brookfield, its strong reputation with financial regulators and potential counterparties, and its extensive track record of sourcing and executing complex transactions provides us with a competitive advantage over others in this space.

Financial Strength and Credit Ratings

Financial strength and credit ratings are an important competitive factor in the insurance and reinsurance industries. They directly affect our company’s ability to access funding and the related cost of borrowing, the attractiveness of our products to customers and our attractiveness as a reinsurer to potential ceding companies and requirements for derivatives collateral posting. Ratings are subject to revision or withdrawal at any time by the assigning rating organization, ratings are not a recommendation to buy, sell or hold securities, and each rating should be evaluated independently of any other rating.

Financial strength ratings are directed toward policyholders and not holders of securities. Financial strength ratings represent the opinion of rating organizations regarding the ability of an insurance company to pay obligations under insurance policies and contracts in accordance with their terms.

Credit ratings indicate the rating organization's opinion regarding a debt issuer's ability to meet the terms of debt obligations in a timely manner. They are important factors in our overall funding profile and ability to access certain types of liquidity. Each rating organization has its own capital adequacy evaluation methodology, and assessments are generally based on a combination of factors. In addition to heightening the level of scrutiny that they apply to insurance companies, rating organizations have increased and may continue to increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate and may change the capital and other requirements employed in the rating organization models for maintenance of certain ratings levels.

Rating organizations use an "outlook statement" of "positive," "stable," ''negative'' or "developing" to indicate a medium- or long-term trend in credit fundamentals which, if continued, may lead to a rating change. A rating may have a "stable" outlook to indicate that the rating is not expected to change; however, a "stable" rating does not preclude a rating organization from changing a rating at any time, without notice. Certain rating organizations assign rating modifiers such as "credit watch" or "under review" to indicate their opinion regarding the potential direction of a rating. These ratings modifiers are generally assigned in connection with certain events such as potential mergers, acquisitions, dispositions or material changes in a company's results, in order for the rating agency to perform its analysis to fully determine the rating implications of the event.

A.M. Best's Financial Strength Ratings range from "A++" (Superior) to "S" (Suspended) and include 16 separate ratings categories. A.M. Best's Long-Term Issuer Credit Ratings range from "aaa" (Exceptional) to "c" (Poor) and include 21 separate ratings categories. As of December 31, 2022, A.M. Best had issued credit or financial strength ratings and outlook statements regarding us as follows:

Company	Financial Strength Rating	Issuer Credit Rating	Outlook
Brookfield Annuity Company	A – (4^{th} of 16)	a – (7^{th} of 21)	Stable
North End Re (Cayman) SPC	A – (4^{th} of 16)	a – (7^{th} of 21)	Stable
North End Re Ltd.	A – (4^{th} of 16)	a – (7^{th} of 21)	Stable
American National Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
American National Life Insurance Company of New York	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
American National Life Insurance Company of Texas	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
Standard Life and Accident Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
American National Property and Casualty Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
American National General Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
ANPAC Louisiana Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
American National Lloyds Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
Pacific Property and Casualty Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
American National County Mutual Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
Farm Family Casualty Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable
United Farm Family Insurance Company	A (3^{rd} of 16)	a + (5^{th} of 21)	Stable

Fitch's Financial Strength Ratings range from "AAA" (Exceptionally Strong) to "C" (Distressed) and include 19 separate ratings categories. Fitch's National Long-Term Credit Ratings range from "AAA" (highest credit quality) to "RD" (restricted default) and include 21 separate ratings categories. As of December 31, 2022, Fitch Ratings had issued credit or financial strength ratings and outlook statements regarding us as follows:

Company	Financial Strength Rating	Issuer Credit Rating	Outlook
American National Insurance Company	A (6th of 19)	-	Stable
American National Life Insurance Company of New York	A (6th of 19)	-	Stable
American National Group, LLC	-	BBB+(8th of 21)	Stable

S&P's Insurer Financial Strength Ratings range from "AAA" (Extremely Strong) to "R" (under regulatory supervision) and include 22 separate ratings categories. S&P's Long-term Issuer Credit Ratings range from "AAA" (Investment Grade) to "C" (Speculative Grade) and include 21 separate ratings categories. As of December 31, 2022, S&P Global Ratings had issued credit or financial strength ratings and outlook statements regarding us as follows:

Company	Financial Strength Rating	Issuer Credit Rating	Outlook
American National Insurance Company	A (6th of 22)	-	Stable
American National Life Insurance Company of New York	A (6th of 22)	-	Stable
American National Group, LLC	-	BBB (9th of 21)	Stable

Regulatory Framework

Our reinsurance business currently operates through North End Re. NER Ltd. is subject to and must comply with all applicable Bermuda law and is subject to regulation and supervision by the BMA and compliance with Bermuda insurance statutes and regulations. NER SPC is subject to regulation and supervision by CIMA and compliance with all applicable Cayman Islands' laws, including Cayman Islands' insurance statutes, regulations and CIMA published policies, procedures and guidance.

Our Canadian PRT business, operating through our Canadian insurer BAC, is subject to regulation and supervision by The Office of the Superintendent of Financial Institutions (Canada) ("**OSFI**"), and compliance with all applicable Canadian law and federal, provincial and territorial insurance statutes and regulations. Our US PRT business, operating through our US insurer ANICO, is subject to regulation and supervision by applicable insurance regulators, statutes and regulations.

Our direct insurance business, operating through American National, is subject to regulation and supervision by applicable insurance regulators, statutes and regulations.

A summary of certain of the laws, regulations and frameworks to which we are currently subject is set forth below.

Bermuda

The Bermuda Insurance Act regulates the insurance business of Bermuda reinsurance entities and provides that no person may carry on any insurance business in or from within Bermuda unless registered as an insurer under such act by the BMA. The BMA is required by the Bermuda Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise to operate an insurance business.

The continued registration of an insurer is subject to the insurer complying with the terms of its registration and such other conditions as the BMA may impose from time to time. The Bermuda Insurance Act also grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies.

The Bermuda Insurance Act imposes on Bermuda insurance companies solvency standards as well as auditing and reporting requirements.

NER Ltd. is registered under the Bermuda Insurance Act to carry on long-term business, generally defined to include life, annuity and accident and health insurance, as a Class E insurer. Class E is the license class for long-term insurers and reinsurers with total assets of more than $500 million that are not registrable as a single-parent or multi-owner long-term captive insurer or reinsurer. NER Ltd. is not licensed to conduct general business and has not sought authorization as reinsurer in any state or jurisdiction of the U.S.

Freestone Re Ltd. is registered under the Bermuda Insurance Act to carry on long-term business, generally defined to include life, annuity and accident and health insurance, as a Class C insurer.

Cancellation of Insurer's Registration

The BMA is entitled to cancel the registration of NER Ltd. if it fails to comply with its obligations under the Bermuda Insurance Act, or if the BMA believes that NER Ltd. has not been carrying on business in accordance with sound insurance principles.

Public Disclosure

The BMA requires all commercial insurers and insurance groups, subject to certain exceptions, to prepare and publish a financial condition report on their website.

Non-insurance Business

Class E insurers are not permitted to engage in non-insurance business unless such non-insurance business is ancillary to its core business. Non-insurance business means any business other than insurance business and includes carrying on investment business, managing an investment fund as operator, carrying on business as a fund administrator, carrying on banking business, underwriting debt or securities or otherwise engaging in investment banking, engaging in commercial or industrial activities and carrying on the business of management, sales or leasing of real property.

Annual Financial Statements, Annual Statutory Financial Return and Annual Capital and Solvency Return

Class E insurers must file annual statutory financial statements, a capital and solvency return and annual audited financial statements within four months of the end of each fiscal year, unless such deadline is specifically extended. The Bermuda Insurance Act also prescribes rules for the preparation and substance of statutory financial statements, which include detailed information and analysis regarding premiums, claims, reinsurance and investments of the insurer.

Fit and Proper Controllers

The BMA maintains supervision over the "controllers" of all registered insurers in Bermuda. For these purposes, a "controller" includes (1) the managing director of the registered insurer or its parent company, (2) the chief executive of the registered insurer or of its parent company, (3) a shareholder controller, and (4) any person in accordance with whose directions or instructions the directors of the registered insurer or its parent company are accustomed to act.

The definition of shareholder controller is set out in the Bermuda Insurance Act but generally refers to (1) a person who holds 10% or more of the shares carrying rights to vote at a shareholders' meeting of the registered insurer or its parent company, (2) a person who is entitled to exercise 10% or more of the voting power at any shareholders' meeting of such registered insurer or its parent company or (3) a person who is able to exercise significant influence over the management of the registered insurer or its parent company by virtue of its shareholding or its entitlement to exercise, or control the exercise of, the voting power at any shareholders' meeting.

Under the Bermuda Insurance Act, shareholder controller ownership is defined as follows:

Actual Shareholder Controller Voting Power	Defined Shareholder Controller Voting Power
10% or more but less than 20%	10%
20% or more but less than 33%	20%
33% or more but less than 50%	33%
50% or more	50%

Where the shares of a registered insurer, or the shares of its parent company, are traded on a recognized stock exchange (as is the case for NER Ltd.), and a person becomes, or ceases to be, a 10%, 20%, 33%, or 50% shareholder controller of the insurer, that shareholder shall, within 45 days, notify the BMA in writing that such shareholder has become, or as a result of a disposition ceased to be, a shareholder controller of any such category.

NER Ltd. must notify the BMA in writing if any person becomes, or ceases to be, a 10%, 20%, 33%, or 50% shareholder controller within 45 days of the acquisition or disposition.

Any person or entity who contravenes the Bermuda Insurance Act by failing to give notice or knowingly becoming a controller of any description before the required 45 days has elapsed is guilty of an offense under Bermuda law and liable to a fine of $25,000 on summary conviction.

The BMA may file a notice of objection to any person or entity who has become a controller of any category when it appears that such person or entity is not, or is no longer, fit and proper to be a controller of the registered insurer. Before issuing a notice of objection, the BMA is required to serve upon the person or entity concerned a preliminary written notice stating the BMA's intention to issue formal notice of objection. Upon receipt of the preliminary written notice, the person or entity served may, within 28 days, file written representations with the BMA which shall be taken into account by the BMA in making its final determination. Any person or entity who continues to be a controller of any description after having received a notice of objection is guilty of an offense and liable on summary conviction to a fine of $25,000 (and a continuing fine of $500 per day for each day that the offense is continuing) or, if convicted on indictment, to a fine of $100,000 and/or 2 years in prison.

Notification of Material Changes

All registered insurers are required to give notice to the BMA of their intention to effect a material change within the meaning of the Bermuda Insurance Act. For the purposes of the Bermuda Insurance Act, the following changes are material: (1) the transfer or acquisition of insurance business, including portfolio transfers or corporate restructurings, pursuant to a court-approved scheme of arrangement under Section 25 of the Bermuda Insurance Act or Section 99 of the BCA, (2) the amalgamation with or acquisition of another firm, (3) engaging in unrelated business that is retail business, (4) the acquisition of a controlling interest in an undertaking that is engaged in non-insurance business which offers services and products to persons who are not affiliates of the insurer, (5) outsourcing all or substantially all of the company's actuarial, risk management, compliance or internal audit functions, (6) outsourcing all or a material part of an insurer's underwriting activity, (7) the transfer other than by way of reinsurance of all or substantially all of a line of business, (8) the expansion into a material new line of business, (9) the sale of an insurer, and (10) outsourcing of an "officer" role, as such term is defined by the Bermuda Insurance Act.

As a Class E insurer, NER Ltd. may not take any steps to give effect to a material change unless they have first served notice on the BMA that they intend to effect such material change and before the end of 30 days, either the BMA has notified NER Ltd. in writing that the BMA has no objection to such change or that period has lapsed without the BMA having issued a notice of objection.

Before issuing a notice of objection, the BMA is required to serve upon the insurer a preliminary written notice stating the BMA's intention to issue formal notice of objection. Upon receipt of the preliminary written notice, the insurer may, within 28 days, file written representations with the BMA, which the BMA would take into account in making its final determination.

Supervision, Investigation and Intervention

The BMA may appoint an inspector with powers to investigate the affairs of an insurer if the BMA believes that an investigation is required in the interests of the insurer's policyholders or potential policyholders. In order to verify or supplement information otherwise provided to the inspector, the BMA may direct an insurer to produce documents or information relating to matters connected with its business.

If it appears to the BMA that there is a risk of an insurer becoming insolvent, or that it is in breach of the Bermuda Insurance Act or any conditions imposed upon its registration, the BMA may, among other things, direct the insurer (1) not to take on any new insurance business, (2) not to vary any insurance contract if the effect would be to increase its liabilities, (3) not to make certain investments, (4) to liquidate certain investments, (5) to maintain or transfer to the custody of a specified bank, certain assets, (6) not to declare or pay any dividends or other distributions or to restrict the making of such payments, (7) to limit its premium income, (8) not to enter into any specified transaction with any specified persons or persons of a specified class, (9) to provide the BMA with such financial information regarding the insurer as the BMA may request, (10) to obtain the opinion of an actuary loss reserve specialist for submission to the BMA, and (11) to remove a controller or officer.

Exchange Control

The permission of the BMA is required, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of shares of Bermuda companies to or from a non-resident of Bermuda for exchange control purposes, other than in cases where the BMA has granted permission. The BMA, in its notice to the public dated June 1, 2005, granted a general permission on which we intend to rely, for the issue and subsequent transfer of securities of a Bermuda company from and/or to a non-resident of Bermuda for exchange control purposes in a number of circumstances, including for so long as any shares of the company entitled to vote for or appoint one or more directors of the company are listed on an "Appointed Stock Exchange" (which includes the NYSE and the TSX).

Economic Substance Act 2018

In December 2018, the Bermuda ESA came into effect in Bermuda. Under the provisions of the Bermuda ESA, every Bermuda registered entity, other than an entity which is resident for tax purposes in certain jurisdictions outside of Bermuda, that carries on as a business any one or more "relevant activities" referred to in the Bermuda ESA must satisfy economic substance requirements by maintaining a substantial economic presence in Bermuda. Under the Bermuda ESA, insurance or holding entity activities (both as defined in the Bermuda ESA and Economic Substance Regulations 2018) are relevant activities. To the extent that the Bermuda ESA applies to any of our entities registered in Bermuda, we will be required to demonstrate how we have complied with economic substance requirements by filing an annual economic substance declaration with the Registrar of Companies in Bermuda.

Any entity that must satisfy economic substance requirements but fails to do so will face automatic disclosure to competent authorities in any jurisdiction in which a holding entity; the ultimate parent entity; an owner; or the beneficial owner, of the entity is incorporated, formed, registered or resident of the information filed by the entity with the Bermuda Registrar of Companies in connection with the economic substance requirements and may also face financial penalties, restriction or regulation of its business activities and/or removal from the list of registered entities in Bermuda.

Commercial Insurer's Solvency Self-Assessment

Bermuda law requires each commercial insurer to file annually a commercial insurer's solvency self-assessment ("**CISSA**"). The CISSA is designed to allow insurers to incorporate an analysis of internal capital needs into risk management frameworks. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making. The insurer must self-assess its capital requirements with respect to key risk categories and provide appropriate commentary. The insurer incorporates the results from the self-assessment into its key strategic decisions.

Cayman Islands

The Cayman Insurance Act regulates the insurance business of our Cayman Islands reinsurance subsidiary, NER SPC, and provides that no person may carry on any insurance business in or from within the Cayman Islands unless that person holds a license issued by CIMA. CIMA is required by the Cayman Insurance Act to determine whether the business to which the application for a license relates would be carried on by persons who are fit and proper persons to be directors or officers of the licensee and, in particular, whether such persons have adequate knowledge and expertise as CIMA considers appropriate to conduct their respective functions. See "— Fit and Proper Requirements" below.

Regulation under the Cayman Insurance Act is a combination of self-regulation, filings of statutory financial statements and certifications as to compliance with the applicable statutory requirements, together with review and investigation by CIMA in specified circumstances. CIMA has wide ranging powers to examine the affairs of insurance companies, with full access to business and other records of these companies and the power to call on NER SPC and compel it to provide any information or explanation relating to NER SPC.

Fit and Proper Requirements

Applicants must demonstrate that the business to which the application for a license under the Cayman Insurance Act relates will be carried on by persons who are fit and proper persons to carry on their respective functions. In determining whether a person is "fit and proper", CIMA will consider, among other things, a person's (a) honesty, integrity and reputation, (b) competence and capability, and (c) financial soundness. CIMA is also bound by the Cayman Insurance Act to consider whether the applicant will be able to comply not only with the requirements of the Cayman Insurance Act but also with the Cayman Islands Anti-Money Laundering Regulations (2023 Revision) and to consider whether the applicant employs personnel with the necessary skills, knowledge and experience and maintains appropriate facilities, books and records.

Categories of Insurance Licenses

There are four main categories of insurance licenses: (a) Class A ('domestic') insurers; (b) Class B ('captives'); (c) Class C ('cat-bond' or 'special purpose insurers'); and (d) Class D ('reinsurers').

NER SPC currently holds a class D license. A Class D insurer may carry on reinsurance business and any such other business as may be approved by CIMA.

Cayman ESA

The Cayman ESA came into operation on 1 January 2019. Under the provisions of the Cayman ESA, a Cayman Islands relevant entity (i.e., company incorporated under Cayman Islands company law, overseas company registered under Cayman Islands company law, limited liability company registered under the Limited Liability Companies Act or a partnership registered under the Cayman Islands Limited Liability Partnership Act (2021 Revision)) that carries on as a business activity any one or more of the nine "relevant activities" referred to in the Cayman ESA must satisfy economic substance test by maintaining a substantial economic presence in the Cayman Islands.

Under the Cayman ESA, the business activity of an insurance business (as defined in the Cayman Insurance Act) or a holding company business (as defined in the Cayman ESA) are regarded as relevant activities for the purposes of the Cayman ESA. To the extent that the Cayman ESA applies to any of our entities registered in the Cayman Islands, we are required to demonstrate compliance with economic substance test by filing an annual economic substance declaration with the relevant registrar in the Cayman Islands within twelve months after the last day of the end of each financial year for each relevant entity.

A relevant entity failing to satisfy the economic substance test may be subject to monetary penalties and to an order from the Grand Court upon receipt of an application from the relevant register (i.e., in the case of a company, the registrar of companies) for subsequently failing to satisfy the economic substance test for consecutive financial reporting periods.

Canada

BAC is governed by the *Insurance Companies Act* (Canada) ("**ICA**"). The ICA is administered, and activities of BAC are supervised, by OSFI, the primary regulator of Canadian federal financial institutions.

The ICA requires the filing of annual and other reports on the financial condition of insurance companies, provides for periodic examinations of insurance companies' affairs, imposes restrictions on transactions with related parties, and sets out requirements governing certain aspects of insurance companies' businesses.

OSFI has extensive powers to intervene in the affairs of regulated insurance companies, including the power to request information or documents, to conduct investigations, to require that appropriate actions are taken to address issues identified by OSFI and to levy fines. OSFI may intervene and assume control of an insurance company governed by the ICA if OSFI deems that the amount of the company's available capital is not sufficient.

Investment Powers

Under the ICA, BAC must maintain a prudent portfolio of investments and loans, subject to certain overall limitations on the amount it may invest in certain classes of investments. Additional restrictions (and in some cases, the need for regulatory approvals) limit the type of investment that BAC can make in excess of 10% of the voting rights or 25% of the equity of any entity.

Restrictions on Shareholder Dividends and Capital Transactions

The ICA prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing an insurance company does not have adequate capital and adequate and appropriate forms of liquidity, or declaration or the payment of the dividend would cause the insurance company to be in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or any direction made to the company by the Superintendent. The ICA also requires an insurance company to notify the Superintendent of the declaration of a dividend at least 15 days prior to the date fixed for its payment. There is no current intention that BAC will pay dividends.

The ICA also prohibits the purchase for cancellation of shares issued by an insurance company or the redemption of redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company does not have, or the payment would cause the company not to have, adequate capital or liquidity, or upon any direction made by the Superintendent. Further, any redemption or purchase for cancellation of shares issued by an insurance company or similar capital transactions are prohibited without the prior approval of the Superintendent.

Constraints on Shares

The ICA contains restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of BAC. Pursuant to these restrictions, no person is permitted to acquire any shares of BAC if the acquisition would cause the person to have a "significant interest" in any class of shares of BAC, unless the prior approval of the Minister of Finance (Canada) is obtained. In addition, BAC is not permitted to record in its securities register any transfer or issue of shares if the transfer or issue would cause the person to have a "significant interest" in BAC.

A person has a significant interest in a class of shares of BAC where the aggregate of any shares of that class beneficially owned by that person, any entity controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all the outstanding shares of that class of shares of BAC.

If a person contravenes these restrictions, the Minister of Finance may, by order, direct such person to dispose of all or any portion of those shares. In addition, the ICA prohibits life insurance companies, including BAC, from recording in its securities register a transfer or issue of any share to Her Majesty in right of Canada or of a province, an agent or agency of Her Majesty, a foreign government or an agent or agency of a foreign government and provides further that no person may exercise the voting rights attached to those shares of an insurance company. The ICA exempts from such constraints certain foreign financial institutions which are controlled by foreign governments and eligible agents provided certain conditions are satisfied.

Provincial/Territorial Insurance Regulation

In Canada, life insurance is also subject to regulation and supervision in each province and territory in Canada. Provincial/territorial insurance regulation is primarily concerned with market conduct matters, the rights and obligations under insurance contracts, and the licensing and oversight of insurance intermediaries. In addition to those regulations, guidelines adopted by the Canadian Life and Health Insurance Association govern several aspects of BAC's business.

Own Risk and Solvency Assessment

In Canada, life insurance companies must conduct an own risk and solvency assessment ("**ORSA**") on a regular basis, which is formally documented in a report at least annually, and more often if circumstances warrant (for example, when there are changes to the insurer's risk profile or risk appetite). OSFI expects the ORSA to be tailored to and cover the consolidated operations of an insurer. OSFI may review the ORSA and, upon request, the ORSA report (and/or other supporting documentation) in its assessment of the risk profile of an insurer to determine whether the ORSA is consistent with OSFI's understanding and assessment of the insurer's risk appetite and risk profile.

United States

The U.S. state domiciled insurance subsidiaries of American National are subject to extensive regulation, primarily at the state level. Such regulation varies by state but generally has its source in statutes that establish requirements for the business of insurance and that grant broad regulatory authority to a state agency. Insurance regulation governs a wide variety of matters, such as insurance company licensing, agent and adjuster licensing, policy benefits, price setting, accounting practices, product suitability, the payment of dividends, the nature and amount of investments, underwriting practices, reserve requirements, sales and advertising practices, privacy practices, information systems security, policy forms, reinsurance reserve requirements, risk and solvency assessments, mergers and acquisitions, corporate governance practices, capital adequacy, transactions with affiliates, participation in shared markets and guaranty associations, claims practices, the remittance of unclaimed property, and enterprise risk management requirements. The models for state laws and regulations often emanate from the National Association of Insurance Commissioners ("**NAIC**"). While it is not mandatory for insurers to comply with an NAIC model law, nor for states to adopt a model law, state and federal legislators and regulators generally look to the model law for guidance in proposing new legislation and regulation.

State insurance departments monitor compliance with regulations through periodic reporting procedures and examinations. At any given time, financial, market conduct or other examinations of the U.S. state domiciled insurance subsidiaries of American National may be occurring.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**") expanded the U.S. federal government presence in insurance oversight. Dodd-Frank also established the Federal Insurance Office within the U.S. Department of Treasury, which is authorized to, among other things, gather data and information to monitor aspects of the insurance industry, identify certain issues in the regulation of insurers, and preempt state insurance measures under certain circumstances. Provisions of Dodd-Frank are or may become applicable to us, our competitors, or certain entities with which we do business. For example, it is possible that regulations issued by the Consumer Financial Protection Bureau may extend, or be interpreted to extend, to the sale of certain insurance products by covered financial institutions, which could adversely affect sales of such products. The Federal Insurance Office, as a result of various studies it conducts, may also recommend changes in laws or regulations that affect our business. There may be further federal involvement in the business of insurance in the future, which may add significant legal complexity and associated costs to our business.

Regulatory matters having the most significant effects on American National's insurance operations and financial reporting are described further below.

Holding Company Regulation

We are an insurance holding company system under the insurance laws of the states where we do business. Our insurance companies are organized under the laws of Texas, Missouri, New York, Louisiana and California. Insurance holding company system laws and regulations in such states generally require periodic reporting to state insurance regulators of various business, enterprise risk management, corporate governance, and financial matters, as well as advance notice to, and in some cases approval by, such regulators prior to certain transactions between insurers and their affiliates. These laws also generally require regulatory approval prior to the acquisition of a controlling interest in an insurance company. These requirements may deter or delay certain transactions considered desirable by management or our stockholders.

Limitations on Dividends by Insurance Subsidiaries

The ability of the U.S. state domiciled American National insurance subsidiaries to pay dividends is generally limited by state law and is also impacted by federal income tax considerations.

Rate Regulation

Nearly all states have laws that require life, health, credit, and property and casualty insurers to file rate schedules and require most insurers to file policy or coverage forms and other information with the state's insurance regulatory authority. In many cases, these must be approved prior to use. The objectives of rate laws vary, but generally a price cannot be excessive, inadequate, or unfairly discriminatory. Prohibitions on discriminatory underwriting practices apply in the context of certain products as well.

Our ability to adjust premium rates, particularly with certain property and casualty and health insurance products, often depends on the applicable pricing law and our ability to demonstrate to the particular regulator that current or proposed pricing complies with such law. Rate increases that we believe are necessary for our profitability may be delayed or denied as a result of such laws. We manage our risk of loss by charging a price that reflects the cost and expense of providing insurance products and by being selective in underwriting. When a state has significant underwriting and pricing restrictions, it becomes more difficult to manage our risk of loss, which can adversely impact our ability to market products profitably in such states.

Guaranty Associations and Involuntary Markets

State laws allow insurers to be assessed, subject to prescribed limits, insurance guaranty fund fees to pay certain obligations of insolvent insurance companies. In addition, to maintain our licenses to write property and casualty insurance in various states, we are required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations that provide various insurance coverages to purchasers that otherwise are unable to obtain coverage from private insurers.

Investment Regulation

Insurance company investment regulations require investment portfolio diversification and limit the amount of investment in certain asset categories. Failure to comply with these regulations leads to the treatment of non-conforming investments as non-admitted assets for measuring statutory surplus. In some instances, these rules require the sale of non-conforming investments.

Exiting Geographic Markets, Canceling and Non-Renewing Policies

Most states regulate an insurer's ability to exit a market by limiting the ability to cancel and non-renew policies. Some states prohibit an insurer from withdrawing one or more types of insurance business from the state, except pursuant to an approved plan. These regulations may restrict our ability to exit unprofitable markets.

Statutory Accounting

Financial reports to state insurance regulators utilize statutory practices as defined in the Accounting Practices and Procedures Manual of the NAIC, which are different from IFRS. Statutory accounting practices, in keeping with the intent to assure the protection of policyholders, are generally based on a solvency concept, while financial statements under IFRS and U.S. GAAP (we transitioned to U.S. GAAP beginning on January 1, 2023) are prepared on a going-concern basis. While not a substitute for IFRS or U.S. GAAP performance measures, statutory information is used by industry analysts and reporting sources to compare the performance of insurance companies and impacts the ability of insurance subsidiaries to pay dividends to the company. Maintaining both IFRS (and, beginning January 1, 2023, U.S. GAAP) and statutory financial records increases our business costs.

Pursuant to state insurance laws, we establish statutory reserves, which are reported as liabilities in the separate standalone statutory-basis financial statements of American National's insurance subsidiaries, and which generally differ from future policy benefits determined using IFRS (or U.S. GAAP) on our respective policies. These statutory reserves are established in amounts sufficient to meet policy and contract obligations, when taken together with expected future premiums and interest at prescribed rates.

Insurance Reserves

State insurance laws require life and property and casualty insurers to annually analyze the adequacy of statutory reserves. Our appointed actuaries must submit opinions annually for our insurance companies that policyholder and claim reserves are adequate.

Risk-Based Capital and Solvency Requirements

The NAIC has a formula for analyzing capital levels of insurance companies called Risk-Based Capital ("**RBC**"). The RBC formula has minimum capital thresholds that vary with the size and mix of a company's business and assets. It is designed to identify companies with capital levels that may require regulatory attention. As of December 31, 2022, the capital level of each of our insurance company subsidiaries exceeded 300% of their respective Authorized Control Levels, the minimum RBC requirement before any action level is triggered or considered.

Risk Management and ORSA

State insurance laws enacted in nearly all U.S. states require insurers that exceed specified premium thresholds to maintain a framework for managing the risks associated with their entire holding company group, including non-insurance companies. In addition, these laws require that, at least annually, the insurer must prepare a summary report (the "**ORSA Report**") regarding its internal assessment of risk management and capital adequacy for the entire holding company group. The ORSA Report is filed, on a confidential basis, with the insurance holding company group's lead regulator and made available to other domiciliary regulators within the holding company group.

Securities Regulation

The sale and administration of variable life insurance and variable annuities are subject to extensive regulation at the federal and state level, including by the SEC and the Financial Industry Regulatory Authority ("**FINRA**"). Our variable annuity contracts and variable life insurance policies, other than group unallocated, were issued through separate accounts that are registered with the SEC as investment companies under the Investment Company Act of 1940. Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund that is itself a registered investment company under such act. In addition, the variable annuity contracts and variable life insurance policies issued by the separate accounts generally are registered with the SEC under the Securities Act of 1933. The U.S. federal and state regulatory authorities and FINRA, from time to time, make inquiries and conduct examinations regarding our compliance with securities and other laws and regulations.

Suitability

FINRA rules require broker-dealers selling variable insurance products to determine that transactions in such products are "suitable" to the circumstances of the particular customer. In addition, most states have enacted the NAIC's Suitability in Annuity Transactions Model Regulation that, in adopting states, places suitability responsibilities on insurance companies in the sale of fixed and indexed annuities, including responsibilities for training agents. The NAIC has adopted revisions to this model regulation that would further elevate the standard of care for annuity sales and align it with the SEC's Regulation Best Interest. Several states have either adopted the model regulation or are considering adopting the model regulation. We anticipate that the revised model will be adopted in some form by one or more of the states in which we do business. New York has already taken further action, through the adoption by NYDFS of a regulation that requires in part that life insurance policies and annuity contracts delivered or issued for delivery in New York be in the best interest of the consumer.

Protection of Consumer Information

U.S. federal laws, such as the Gramm-Leach-Bliley Act ("**GLB**"), and state laws regulate disclosures of certain customer information and require us to protect the security and confidentiality of such information. Such laws also require us to notify customers about our policies and practices relating to the collection, protection and disclosure of confidential customer information. State and federal laws, such as the federal Health Insurance Portability and Accountability Act ("**HIPAA**"), regulate our use, protection and disclosure of certain personal health information. In addition, most states have laws or regulations that require us to notify regulators and affected customers in the event of a data breach, and some of these laws and regulations are becoming more stringent by requiring faster notifications and creating private causes of action for violations.

On June 28, 2018, California enacted a sweeping new privacy law known as the California Consumer Privacy Act of 2018 ("**CCPA**"). The CCPA requires enhanced customer disclosure about how a business collects and uses personal data, how such data is used in business processes, and with and to whom customer data is shared or sold. In addition, the CCPA also affords a consumer a "right to request deletion" in certain circumstances. On August 31, 2018, the California State Legislature passed SB-1121, a bill that delayed enforcement of the CCPA until July 1, 2020, and made other amendments and clarifications to the law. Such clarifications include exempting from certain requirements of the CCPA information that is collected, processed, sold or disclosed pursuant to the California Financial Information Privacy Act, GLB, the federal Fair Credit Reporting Act ("**FCRA**"), HIPAA, or the federal Driver's Privacy Protection Act. The revisions, however, do not exempt such information from the CCPA's private right of action provision in all instances. Additionally, the definition of "personal information" in the CCPA is broad and may encompass other information that we maintain in our California business beyond that excluded under GLB, FCRA, HIPAA, the Driver's Privacy Protection Act, or the California Financial Information Privacy Act exemption. In addition, in November 2020, California enacted the Consumer Privacy Rights Act, which is effective January 1, 2023 and grants new consumer rights regarding personal information and strengthens certain provisions of the CCPA. Other states may adopt comprehensive privacy laws like California. For example, on March 2, 2021, Virginia enacted the Virginia Consumer Data Protection Act ("**CDPA**"). On June 8, 2021, Colorado passed the Colorado Privacy Act ("**CPA**"). Both the CDPA and CPA give certain consumers data protections rights including the right to opt-out of processing their personal data, the right to delete information, and the right to correct information. The CDPA will go into effect on January 1, 2023 and CPA will go into effect on July 1, 2023.

We anticipate further efforts at the federal and state levels to strengthen the protection of consumer information, and such efforts will continue to have a significant impact on our information practices.

In addition, FCRA is a federal law that governs the use and sharing of consumer credit information provided by a consumer reporting agency. Requirements under FCRA apply to an insurer if such insurer obtains and uses consumer credit information to underwrite insurance. Such requirements may include obtaining the consumer's consent and providing various notices to the consumer. While the use of consumer credit information in the underwriting process is expressly authorized by FCRA, various states have issued regulations that limit or prohibit the use of consumer credit information by insurers, and some consumer groups continue to criticize the use of credit-based insurance scoring in underwriting and rating processes. There may be additional efforts at the federal or state level to regulate the use of credit-based information by insurers. Any such regulation could force changes in our underwriting practices and impact our profitability.

Cybersecurity

In recent years, millions of consumers and businesses have been impacted by data breaches of companies in various industries, increasing the regulatory focus on consumer information protection and data privacy. On August 28, 2017, New York became the first state to adopt minimum cybersecurity standards for certain financial institutions. NYDFS requires financial institutions authorized to do business under New York banking, insurance or other financial services laws, including certain of our subsidiaries, to develop a cybersecurity program and policy based on an assessment of the institution's cybersecurity risks, designate a Chief Information Security Officer, maintain written policies and procedures with respect to third-party service providers, limit who has access to data or systems, use qualified cybersecurity personnel to manage cybersecurity risks, notify NYDFS of a cybersecurity event within seventy-two hours, maintain a written incident response plan, and provide NYDFS with an annual certification of compliance.

In addition, the NAIC has adopted the Cybersecurity Bill of Rights, a set of directives aimed at protecting consumer data, and the Insurance Data Security Model Law, a model law patterned after New York's cybersecurity standards. The Insurance Data Security Model Law establishes standards for data security in the insurance industry, including standards for investigating a data breach and requiring certain notifications to regulators, producers and consumers. South Carolina became the first state to adopt the Insurance Data Security Model Law in May 2018. Since then, more states have adopted the model law in some form. In states that have not adopted the Insurance Data Security Model Law, it is not mandatory for insurers to comply with the model law; however, state and federal legislators and regulators are likely to look to the model law, as well as the NYDFS regulation, for guidance in proposing new legislation and regulation. The NAIC has also strengthened and enhanced the cybersecurity guidance included in its handbook for state insurance examiners. We expect a continuing focus at the state and federal levels on the privacy and security of personal information.

Anti-Money Laundering

Federal law and regulations require us to take certain steps to help prevent and detect money laundering activities. The USA PATRIOT Act of 2001 contains anti-money laundering and financial transparency requirements applicable to certain financial services companies, including insurance companies. The Bank Secrecy Act requires insurers to implement a risk-based compliance program to detect, deter and (in some cases) report financial or other illicit crimes including, but not limited to, money laundering and terrorist financing. The Office of Foreign Assets Control ("**OFAC**"), a division of the U.S. Treasury Department, administers and enforces economic and trade sanctions. For certain transactions, an insurer maybe required to search policyholder, agent, vendor and employee databases for specially designated nationals or suspected terrorists, in order to comply with OFAC obligations.

Healthcare Regulation

We are subject to various conditions and requirements of the Patient Protection and Affordable Care Act of 2010 (the "**Healthcare Act**"). The Healthcare Act affects the small blocks of business we have offered or acquired over the years that are, or are deemed to be, health insurance. The Healthcare Act also influences the design of products sold by our Health segment, which may influence consumer acceptance of such products and the cost of monitoring compliance with the Healthcare Act. Moreover, the Healthcare Act affects the benefit plans we sponsor for employees, retirees and their dependents, our expense to provide such benefits, our tax liabilities in connection with the provision of such benefits, and our ability to attract or retain employees. Any repeal, replacement or amendment of the Healthcare Act, or judicial decisions impacting the Healthcare Act, could have similar effects on us.

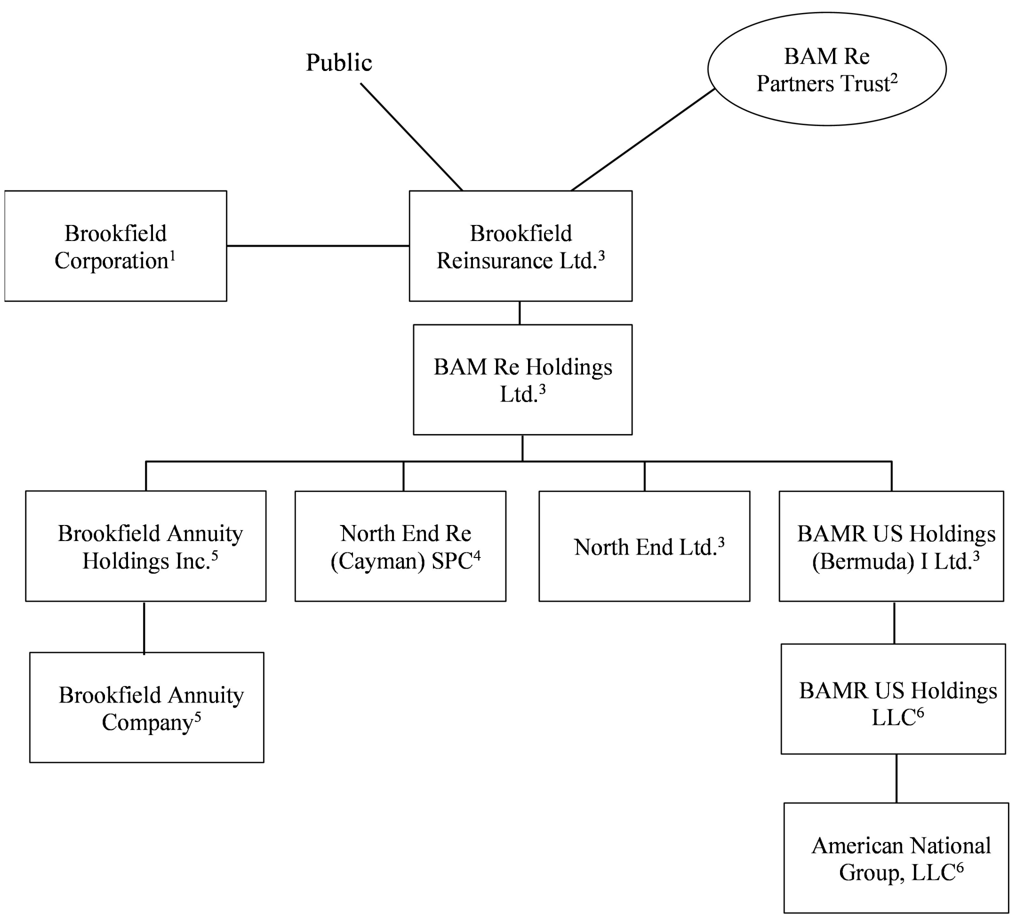
Other types of regulations that affect us include insurable interest laws, employee benefit plan laws, antitrust laws, employment and labor laws, and federal and state tax laws. Failure to comply with federal and state laws and regulations may result in censure; the issuance of cease-and-desist orders; reputational damage; suspension, termination or limitation of the activities of our operations and/or our employees and agents; or the obligation to pay fines, penalties, assessments, interest, or additional taxes and wages. In some cases, severe penalties may be imposed for breach of these laws. We cannot predict the impact of these actions on our business, results of operations or financial condition.

The NAIC completed the first full year of work by its Climate and Resiliency Task Force, with several more states signing up to require insurers domiciled in their states to submit climate disclosure surveys modified to align more closely with the climate disclosure survey developed by the Financial Stability Board's Task Force on Climate-Related Financial Disclosure. NYDFS monitors insurer compliance by examining responses to the NAIC's recently revised climate disclosure survey.

4.C ORGANIZATIONAL STRUCTURE

Organizational Chart

The following diagram provides an illustration of the simplified corporate structure of our company and its significant subsidiaries.



1 — Jurisdiction of formation is the Province of Ontario, Canada. Brookfield Corporation holds all of our class C shares, giving it the residual economic interest in our company.

2 — Holders of our class B shares, all of which are held through the BNRE Partnership, are entitled to elect half of our board and approve all other matters requiring shareholder approval.

3 — Jurisdiction of incorporation is Bermuda. All subsidiaries of our company are 100% owned directly or indirectly by our company.

4 — Jurisdiction of incorporation is Cayman Islands.

5 — Jurisdiction of formation is Canada.

6 — Jurisdiction of formation is the State of Delaware, United States.

Our company

Our company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020 under the laws of Bermuda. Our head and registered office is located at Ideation House, First Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda and our telephone number is 441 405-7811.

Our company was established by Brookfield to own and operate a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance.

The class A exchangeable shares are listed on the TSX and the NYSE under the symbol “BNRE”.

The Brookfield Class A Shares are traded on the TSX under the symbol “BN” and the NYSE under the symbol “BN”. Brookfield Corporation’s head and registered office is located at Suite 100, Brookfield Place, 181 Bay Street, Toronto, Ontario, Canada M5J 2T3. For more information regarding Brookfield Corporation, see Item 7.B “Related Party Transactions” and Item 10.H “Documents on Display” for how you can obtain more information on Brookfield Corporation.

Each exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. Each exchangeable share is exchangeable at the option of the holder for one Brookfield Class A Share or its cash equivalent (the form of payment to be determined at the election of Brookfield Corporation), subject to certain limitations as more fully described in this Form 20-F. It is expected that each exchangeable share will continue to receive distributions at the same time and in the same amount per share as the cash dividends paid on each Brookfield Class A Share, as more fully described in Item 10.B “Memorandum and Bye-Laws”. We therefore expect that the market price of our class A exchangeable shares should be impacted by the market price of the Brookfield Class A Shares and the business performance of Brookfield Corporation. However, there are certain material differences between the rights of holders of exchangeable shares and holders of the Brookfield Class A Shares under the governing documents of our company and Brookfield Corporation and applicable law, such as the right of holders of exchangeable shares to request an exchange of their exchangeable shares for an equivalent number of Brookfield Class A Shares or its cash equivalent (the form of payment to be determined at the election of Brookfield Corporation), the redemption right of our company, subject to the consent of Brookfield Corporation, and the right of Brookfield Corporation to require us to commence a liquidation of the company upon the occurrence of certain events. These material differences are described in the section entitled Item 10.B “Memorandum and Bye-Laws”.

Brookfield Corporation

Brookfield Corporation is focused on deploying its capital on a value basis and compounding it over the long term. This capital is allocated across its three core pillars of asset management, insurance solutions and its operating businesses. Employing a disciplined investment approach, Brookfield Corporation leverages its deep expertise as an owner and operator of real assets, as well as the scale and flexibility of its capital, to create value and deliver strong risk-adjusted returns across market cycles. The Brookfield Class A Shares are listed on the NYSE and TSX under the symbol “BN”.

Brookfield Corporation was formed by articles of amalgamation dated August 1, 1997 and is organized pursuant to articles of arrangement under the OBCA dated December 9, 2022. Brookfield Corporation’s head and registered office is located at Brookfield Place, 181 Bay Street, Suite 100, P.O. Box 762, Toronto, Ontario M5J 2T3.

Price Range and Trading Volume of Brookfield Class A Shares

The Brookfield Class A Shares are listed and posted for trading on the TSX under the symbol "BN". The following table sets forth the price ranges (after accounting for the effect of special dividend) and trading volumes of the Brookfield Class A Shares as reported by the TSX for the periods indicated, in Canadian dollars:

	Brookfield Class A Shares		
	High (C$)	Low (C$)	Volume
2023			
January 1, 2023 – March 29, 2023	51.50	38.92	116,040,654
2022			
January 1, 2022 – March 31, 2022	62.38	54.03	231,110,000
April 1, 2022 – June 30, 2022	59.31	45.26	154,590,000
July 1, 2022 – September 30, 2022	55.59	45.18	171,850,000
October 1, 2022 – December 31, 2022[1]	51.41	42.02	184,630,000
2021			
January 1, 2021 – March 31, 2021	57.72	48.34	125,109,458
April 1, 2021 – June 30, 2021	65.00	54.27	101,428,298
July 1, 2021 – September 30, 2021	72.52	60.40	94,070,908
October 1, 2021 – December 31, 2021	78.67	66.98	94,687,678
2020			
January 1, 2020 – March 31, 2020	60.48	31.35	202,343,387
April 1, 2020 – June 30, 2020	50.41	39.04	135,429,393
July 1, 2020 – September 30, 2020	47.59	42.00	106,444,950
October 1, 2020 – December 31, 2020	56.10	38.77	138,757,530
2019			
January 1, 2019 – March 31, 2019	41.91	33.73	110,836,846
April 1, 2019 – June 30, 2019	43.37	41.08	95,388,671
July 1, 2019 – September 30, 2019	48.19	41.81	101,745,907
October 1, 2019 – December 31, 2019	52.41	44.51	90,628,225

[1] On December 9, 2022, Brookfield Corporation (formerly Brookfield Asset Management Inc.) completed the public listing and distribution of a 25% interest in its asset management business, through Brookfield Asset Management Ltd. by way of a plan of arrangement. The transactions contemplated by the Brookfield Arrangement resulted in the division of Brookfield Asset Management Inc. into two publicly traded companies – Brookfield Corporation and Brookfield Asset Management.

The Brookfield Class A Shares are listed and posted for trading on the NYSE under the symbol "BN". The following table sets forth the price ranges and trading volumes of the Brookfield Class A Shares as reported by the NYSE for the periods indicated, in U.S. dollars:

	Brookfield Class A Shares		
	High ($)	**Low ($)**	**Volume**
2023			
January 1, 2023 – March 29, 2023	38.48	28.25	170,707,790
2022			
January 1, 2022 – March 31, 2022	50.88	40.77	140,055,759
April 1, 2022 – June 30, 2022	48.18	34.91	139,009,894
July 1, 2022 – September 30, 2022	44.05	32.79	115,327,436
October 1, 2022 – December 31, 2022[1]	38.72	30.08	224,077,847
2021			
January 1, 2021 – March 31, 2021	45.56	37.65	174,156,266
April 1, 2021 – June 30, 2021	52.53	43.65	150,753,881
July 1, 2021 – September 30, 2021	57.83	47.33	173,697,244
October 1, 2021 – December 31, 2021	62.20	53.24	81,931,580
2020			
January 1, 2020 – March 31, 2020	45.61	21.57	215,436,624
April 1, 2020 – June 30, 2020	37.73	27.25	151,678,621
July 1, 2020 – September 30, 2020	35.15	31.30	119,896,091
October 1, 2020 – December 31, 2020	43.14	29.09	158,692,215
2019			
January 1, 2019 – March 31, 2019	31.10	24.76	123,669,875
April 1, 2019 – June 30, 2019	32.27	30.15	133,397,323
July 1, 2019 – September 30, 2019	36.06	31.46	154,282,492
October 1, 2019 – December 31, 2019	39.00	33.13	136,135,993

[1] On December 9, 2022, Brookfield Corporation (formerly Brookfield Asset Management Inc.) completed the public listing and distribution of a 25% interest in its asset management business, through Brookfield Asset Management Ltd. by way of a plan of arrangement. The transactions contemplated by the Brookfield Arrangement resulted in the division of Brookfield Asset Management Inc. into two publicly traded companies – Brookfield Corporation and Brookfield Asset Management.

Significant Subsidiaries

The following table provides the name, the percentage of voting securities owned, or controlled or directed, directly or indirectly, by us, and the jurisdiction of incorporation, continuance, formation or organization of our significant subsidiaries as at December 31, 2022.

	Jurisdiction of Incorporation or Organization	**Percentage of voting securities owned or controlled (%)**
BAM Re Holdings Ltd.	Bermuda	100%
Brookfield Annuity Company	Canada	100%
North End Re (Cayman) SPC	Cayman Islands	100%
North End Re Ltd.	Bermuda	100%
American National Group, LLC	Delaware	100%

4.D PROPERTY, PLANT AND EQUIPMENT

Our company's head and registered office is located at Ideation House, First Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda. Our company is a holding company and our material assets consist solely of interests in our operating subsidiaries. We do not directly own any real property. See also the information contained in this Form 20-F under Item 3.D "Risk Factors — Risks Relating to Our Operating Subsidiaries and Industry" and Item 5 "Operating and Financial Review and Prospects".

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

5.A OPERATING RESULTS

Continuity of Interest

Our company was established on December 10, 2020 by Brookfield, and on June 28, 2021 Brookfield completed the Spin-off of the company by way of a special dividend to holders of Brookfield's Class A and Class B Limited Voting Shares. Prior to the Spin-off, Brookfield controlled the portion of our business that was spun off to form our company (the "Business"). The Business transferred in connection with the Spin-off represented common control transactions recorded at historical carrying values. In accordance with the company accounting policy, the company has reflected the Business in its financial position and results of operations using Brookfield's carrying value, prior to the Spin-off. To reflect this continuity of interest, the financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the company, including the adjustments associated with the Spin-off and the execution of several agreements. Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

Basis of Presentation

The company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the company's interest in its operating subsidiaries North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC") and American National Group, LLC. ("American National").

Through its operating subsidiaries, our company offers a broad range of insurance products and services to individuals and institutions, including life insurance, individual and group annuities, health insurance, credit insurance and property and casualty insurance for personal lines, agribusiness and certain commercial exposures. The principal operating entities of the company generally maintain their own independent management and infrastructure.

The following financial data is derived from our financial statements that are prepared in accordance with IFRS. Non-IFRS measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Key Financial Data

The following present key financial data of the company:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Total assets	**$ 43,499**	$ 11,493	$ 1,440
Net income (loss)	**492**	(44)	1
Adjusted equity[1]	**4,852**	1,451	79
Distributable Operating Earnings[1,2]	**388**	30	1

1. Distributable operating earnings and adjusted equity are Non-IFRS measures. See “Reconciliation of Non-IFRS Measures”.
2. Distributable operating earnings for the year ended 2022 is inclusive of $66 million of net corporate costs relating to activities outside of our three operating segments (2021 - $6 million; 2020 - Nil)

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the years ended December 31, 2022, 2021 and 2020.

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Net premiums and other policy revenue	**$ 4,484**	$ 7,162	$ 430
Net investment income, including funds withheld	**617**	79	84
Total revenues	**5,101**	7,241	514
Income from equity accounted investments	**222**	8	—
Net benefits and claims paid on insurance contracts	**1,635**	292	38
Change in future policy benefits	**2,189**	6,980	468
Interest credited to policyholders' account balances	**156**	—	—
Commissions for acquiring and servicing policies	**412**	—	—
Changes in deferred acquisition costs	**(383)**	(44)	—
Other reinsurance expenses	**125**	19	—
Operating expenses	**433**	35	6
Interest expense on borrowings	**129**	9	—
Interest expense on preferred shares	**67**	—	—
Total benefits and expenses	**4,763**	7,291	512
Net income (loss) before income taxes	**560**	(42)	2
Income tax expense	**(68)**	(2)	(1)
Net income (loss) for the year	**$ 492**	$ (44)	$ 1

2022 vs. 2021

For the year ended December 31, 2022, we reported net income of $492 million, compared to a net loss of $44 million in the prior year.

Net premiums and other policy revenue of $4.5 billion decreased by $2.7 billion for the year ended December 31, 2022, relative to the same period in 2021. During the year, the company closed 28 PRT deals, representing $1.6 billion of premiums (December 31, 2021 - 26 deals, $1.1 billion premiums). We recorded $1.7 billion of premiums and other policy revenues related to American National, for the period following the close of the acquisition on May 25, 2022. The increase in new business within our Direct Insurance and PRT segments in 2022 was partially offset by the absence of $6.2 billion of large-block reinsurance transactions which closed in September and October 2021. During 2022, we wrote $1.2 billion of flow reinsurance premiums on existing reinsurance transactions.

Net investment income, including funds withheld increased by $538 million for the year ended December 31, 2022, relative to the same period in 2021. Net investment income is comprised of interest and dividends received as well as realized and unrealized gains and losses on financial instruments.

Interest and dividends received increased by $648 million as a result of the growth in our investment portfolio and capital redeployed within recently closed transactions, as well as rising interest rates. Across each of our business segments, we deployed the capital from transactions closed during the year into accretive, higher yielding investments, driving a step up in our net investment spreads. During the year, across our Direct Insurance, Reinsurance and PRT businesses we redeployed approximately $7 billion of existing assets (2021 - $5 billion).

Realized net investment income, including funds withheld, increased by $147 million for the year ended December 31, 2022, relative to the same period in 2021. The increase was as a result of growth in the investment portfolio and capital redeployment, as well as realized gains on the unwind of corporate hedges, which totaled $108 million in the year.

The unrealized net investment loss of $421 million (2021 - loss of $19 million) recorded in the year is primarily due to negative mark-to-market movements on investments measured under fair value through profit and loss as a result of rising interest rates and market volatility experienced during the period, partially offset by unrealized gains from embedded derivatives recorded within our reinsurance funds withheld assets. As the duration of our investment portfolio is currently shorter than the duration of our insurance contract liabilities, the negative mark-to-market on the investment portfolio was more than offset by fair value changes in our future policy benefits balances.

Equity accounted income of $222 million includes approximately $124 million related to investments in associates within our American National subsidiary, and includes a further $98 million related to the company's investment in the common equity of American Equity Investment Life Holding Company ("AEL Holdings"). In the fourth quarter of 2022, the company discontinued the use of the equity method for its investment in AEL Holdings, as a result of the loss of significant influence over the investee following the resignation of our appointed member from the AEL Holdings' Board of Directors. Equity accounted income from 2021 includes $8 million related to the company's investment in the common equity of AEL Holdings, which was recorded as an equity accounted investment starting third quarter of 2021.

Benefits and claims paid to policyholders increased by $1.3 billion for the year ended December 31, 2022, relative to the same period in 2021. The increase is due to contributions from American National, representing $1.2 billion, as well as an increase from prior year within our existing reinsurance and PRT businesses as a result of the two reinsurance transactions closed in the third and fourth quarters of 2021 and an increase in annuitants in-pay in new PRT business since the prior year.

The change in future policy benefits in the year ended December 31, 2022 decreased by $4.8 billion compared to the same period in 2021, primarily due to the absence of the two large-block reinsurance transactions in the prior year, which was partially offset by flow business from our reinsurance transactions and new business contributed since the acquisition of American National in May 2022.

The increase in interest credited to policyholders' account balances, commissions for acquiring and servicing policies were also a result of the acquisition of American National.

The change in deferred acquisition costs increased by $339 million compared to the same period in 2021, as a result of capitalized reinsurance costs associated with flow business within our Reinsurance segment, as well as new business written at American National for the period from May 25, 2022 to December 31, 2022.

Other reinsurance expenses, which includes ceding commissions and sales inducements, increased by $106 million in 2022 compared to the same period in 2021 due to a full year of contribution from reinsurance transactions in late 2021, resulting in additional reinsurance related expenses settled during the period.

Operating expenses increased by $398 million in 2022 compared to the same period in 2021, primarily driven by the inclusion of seven months of expenses from American National representing $334 million, and as a result of additional personnel, professional services and transaction expenses related to the growth of our business as well as one-time transaction costs. Operating expenses in 2022 included $31 million of transaction related expenses (2021 - $8 million).

Interest expense on borrowings increased by $120 million during the year primarily as a result of interest on subsidiary borrowings, representing $1.5 billion of acquisition financing issued at American National, as well as corporate borrowings used to temporarily warehouse investments that will be moved into our insurance companies' investment portfolios.

During the year, the company issued $2.5 billion of preferred shares to Brookfield, in connection with the acquisition of American National. While subordinated to the company's Class A and Class B equity, the junior preferred shares are treated as a liability for accounting purposes, as a result, included with interest expense is $67 million of dividends accrued on the company's preferred shares.

During the year, DOE increased by $358 million to $388 million. The increase was driven by contributions from American National, as well as increased net investment income on our corporate investments, contributions from our investment in AEL Holdings and new business and spread earnings within our PRT and Reinsurance businesses as we made progress redeploying the investments within the portfolios.

2021 vs. 2020

For the year ended December 31, 2021, we reported a net loss of $44 million, compared to net income of $1 million in 2020.

Gross premiums increased by $6.8 billion in 2021 relative to the same period in 2020. The increase included $6.2 billion related to the closing of two large-block reinsurance transactions and a higher volume of PRT deals closed as compared to 2020. During 2021, the company closed 26 PRT deals (2020 - 15), representing $1.1 billion of premiums and approximately 20% of the Canadian PRT market in 2021.

Net investment income including funds withheld decreased by $5 million for the year ended December 31, 2021, relative to the same period in 2020. Net investment income comprises of interest and dividends received, net hedging expenses, as well as realized and unrealized gains and losses on financial instruments. Interest and dividends received increased reflecting the growth in the investment portfolio. Realized gains on investments increased in period as a result of funds withheld income from our first large-block reinsurance transaction. Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the company's insurance operating companies' investment portfolios or insurance reserves. Net hedging expenses of $59 million in the year relate to costs incurred to entered into corporate hedges and are partially offset by positive mark to market of hedges entered into as at December 31, 2021. The decrease from 2020 was mainly due to net hedging expenses, partially offset by the increase in other type of net investment income.

Equity accounted income in 2021 of $8 million related to the company's investment in the common equity of AEL Holdings. The company originally acquired a 9.5% interest in AEL Holdings at the time of Spin-Off and the investment was treated as a financial asset. During 2021, as a result of a firm commitment to enter into the reinsurance agreement with American Equity Investment Life Insurance Company ("AEILIC"), we concluded that we had significant influence over AEL Holdings, and as such, derecognized the financial asset and recorded an equity accounted investment.

Gross benefits paid to policyholders increased by $247 million in 2021 due to the new reinsurance transactions and an increase in annuitants in-pay in new PRT business since the prior year period. Ceded benefits represent amounts received from reinsurers. Ceded benefits for the year ended December 31, 2021 decreased by $7 million as a result of the deferred financing associated with the ceding contract.

The gross change in insurance reserves in 2021 increased by $6.5 billion compared to the same period in 2020, primarily due to the two large-block reinsurance transactions closed as noted above, new PRT transactions closed and the impact of market movements.

Other reinsurance expenses increased by $19 million in 2021 due to the reinsurance transactions entered into during the year, resulting in additional reinsurance related expenses settled since the treaty effective dates.

Operating expenses increased by $29 million during 2021 compared to 2020 as a result of additional personnel, professional services and transaction expenses related to the build out of our business. We also recorded unrealized gains and premium cost of the options on our corporate hedging activities as at December 31, 2021 of $59 million. Subsequent to year end, in January 2022, we unwound the hedge positions for a life to date gain on the positions, and the realized gains were reflected in net income in the first quarter of 2022.

During 2021, DOE increased $29 million from the prior year to $30 million. The increase in DOE was a result of increased spread earnings within our PRT segment as a result of new business closed during the year, our proportionate share of earnings from our investment in AEL Holdings, and net earnings on our corporate investment portfolio.

CONSOLIDATED FINANCIAL POSITION

Comparison as at December 31, 2022 and December 31, 2021

The following table summarizes the financial position as at December 31, 2022 and December 31, 2021:

AS AT DEC. 31 US$ MILLIONS	2022	2021
Assets		
Cash and cash equivalents	**$ 2,145**	$ 393
Investments	**28,098**	4,943
Accrued investment income	**341**	21
Premiums due and other receivables	**436**	—
Reinsurance funds withheld	**5,610**	4,650
Derivative assets	**44**	146
Deferred tax asset	**531**	20
Equity accounted investments	**1,673**	344
Deferred acquisition costs	**1,732**	776
Reinsurance assets	**570**	169
Investment properties	**562**	—
Other assets	**610**	31
Goodwill	**102**	—
Separate account assets	**1,045**	—
Total assets	**43,499**	11,493
Liabilities		
Future policy benefits	**15,771**	8,497
Policyholders' account balances	**14,310**	—
Policy and contract claims	**1,786**	—
Unearned premium reserve	**1,086**	—
Due to related parties	**309**	467
Other policyholder funds	**322**	—
Corporate borrowings	**2,160**	693
Subsidiary borrowings	**1,492**	—
Liabilities issued to reinsurance entities	**151**	167
Preferred shares	**2,512**	—
Other liabilities	**1,098**	234
Separate account liabilities	**1,045**	—
Total liabilities	**42,042**	10,058
Equity		
Class A exchangeable and Class B	**432**	539
Class C	**1,017**	896
Non-controlling interests	**8**	—
Total equity	**1,457**	1,435
Total liabilities and equity	**$ 43,499**	$ 11,493

December 31, 2022 vs. December 31, 2021

Total assets increased by $32.0 billion during the year to $43.5 billion. The increase in total assets included $29.7 billion related to assets of American National, as well as additional transactions closed within our PRT business and flow premiums from our existing reinsurance treaties.

Cash increased by $1.8 billion during the year primarily as a result of the acquisition of American National, contributing $1.4 billion of cash and cash equivalents as at December 31, 2022.

Investments increased by $23.2 billion over the year, primarily as a result of $21.9 billion of assets associated with the acquisition of American National, as well as assets from new business written within our PRT and Reinsurance segments, partially offset by the negative mark-to-market movements on fair valued investments.

Reinsurance funds withheld increased by $960 million over the year, primarily as a result of new flow business written within our AEILIC reinsurance treaty which included the addition of new products, as well as the contribution of positive mark-to-market valuations on the embedded derivative related to reinsurance funds withheld assets.

Deferred acquisition costs, which are costs that are directly related to writing new policyholder contracts are capitalized as deferred acquisition costs to the extent that they are recoverable from gross profits, increased by $956 million as a result of capitalized reinsurance costs associated with flow business within our Reinsurance segment, as well as new business written at American National for the period from May 25, 2022 to December 31, 2022. Deferred acquisitions costs are amortized over the life of the policies in proportion to the estimated gross profits.

Equity accounted investments increased $1.3 billion during the year, including $1.7 billion related to investments in associates within our American National subsidiary. The increase was partially offset by the equity accounted investment in AEL Holdings of $344 million as at December 31, 2021, which was reclassified to financial assets at the end of 2022.

Deferred tax assets increased $511 million during the year, primarily as a result of our acquisition of American National and was partially offset by deferred tax expenses generated within our PRT business.

Other assets increased $579 million during the year, primarily as a result of property, plant and equipment, prepaid pensions obligations and intangible assets within American National.

The increase in accrued investment income and reinsurance assets, as well as the addition of premiums due, investment properties, separate account assets and goodwill are also a result of the acquisition of American National.

Future policy benefits and policyholder account balances increased $21.6 billion during the year and included $19.7 billion related to American National policyholders, as well as new business written within our PRT and Reinsurance business during the year, partially offset by settlements and negative mark-to-market valuations on the fair value of reserves within our PRT business.

Corporate and subsidiary borrowings increased by $3.0 billion during the year, primarily as a result of $1.5 billion of acquisition financing related to the acquisition of American National, as well as $1.5 billion of short-term secured corporate borrowings and additional drawings on the company's revolving credit facility for the purpose of temporarily warehousing attractive investment opportunities that will be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings.

Due to related parties decreased by $158 million during the year, primarily as a result of the repayment of short-term loans from Brookfield in connection with the reinsurance transactions closed in 2021.

The company issued $2.5 billion of junior preferred shares to Brookfield during the year. While subordinate to the company's class A and B shares, the preferred shares are treated as a liability for accounting purposes.

The increase in policy and contract claims, unearned premium reserve, other policyholder funds, separate account liabilities and other liabilities were also a result of contributions from the acquisition of American National.

Adjusted equity, which represents the total economic equity of our Company through its Class A, B, and C shares, and Junior Preferred Shares, but excluding accumulated other comprehensive income, increased $3.4 billion to $4.9 billion, as a result of positive retained earnings and the Class C and preferred share issuances to Brookfield during the year, used to fund a portion of the American National acquisition.

SEGMENT REVIEW

The company's operations are organized into three operating segments: direct insurance, reinsurance and PRT.

We measure operating performance primarily using DOE which measures our ability to acquire net insurance assets at a positive margin, and invest these assets at a return that is greater than the cost of policyholder liabilities.

Direct Insurance

The following table presents Distributable Operating Earnings of our Direct Insurance segment for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
DOE	**$ 394**	$ —	$ —

Comparison of the years ended December 31, 2022, 2021 and 2020

DOE within our Direct Insurance business represents contribution from American National for the period of May 25, 2022 to December 31, 2022. DOE in the year included contributions from our direct origination life and annuities business, benefiting from competitive sales performance and increasing investment performance. Our strong life and annuity earnings were further supplemented with P&C earnings, benefiting from our conservative approach to underwriting products. DOE related to our Direct Insurance business also includes financing costs associated with subsidiary borrowings and corporate overhead directly related to the segment.

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
DOE	**$ 39**	$ 13	$ —

Comparison of the years ended December 31, 2022, 2021 and 2020

The company's Reinsurance operating companies commenced their operations in 2021 and closed its first two large-block transactions in the last four months of 2021. The company received cash and cash equivalents upon close of the transactions, and to date, we have redeployed over $5 billion of the assets, actively increasing our net investment yield relative to our cost of funds. DOE from our Reinsurance segment also includes our proportionate share of DOE from AEL Holdings, which we account for as an equity accounted investment from the third quarter of 2021 to the third quarter of 2022.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
DOE	**$ 21**	$ 11	$ 1

Comparison of the years ended December 31, 2022, 2021 and 2020

For the year, the company closed 28 PRT deals (2021 - 26, 2020 - 15), representing $1.6 billion (2021 - $1.1 billion, 2020 - $432 million) of premiums. The increase in DOE from the prior year was a result of new business closed and the redeployment of assets into higher yielding investments, driving higher spread earnings from the prior periods, as well as the benefit of efficiencies as we scale our PRT business.

Liquidity and Capital Resources

CAPITAL RESOURCES

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, and access to the company's third-party credit facility, and our credit facility and equity commitment with Brookfield. We proactively manage our liquidity position to meet liquidity needs and continue to develop relationships with lenders who provide borrowing capacity at competitive rates, while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our corporate liquidity for the periods noted below consisted of the following:

AS AT DEC. 31 US$ MILLIONS	**2022**	2021
Cash and cash equivalents	**$ 784**	$ 70
Liquid financial assets	**241**	243
Undrawn credit facilities	**544**	313
Total Corporate liquidity[1]	**$ 1,569**	$ 626

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. As part of the Spin-off, Brookfield provided to the company an equity commitment in the amount of $2.0 billion to fund future growth, which the company may draw on from time to time. The equity commitment may be called by the company in exchange for the issuance of class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three year revolving $400 million credit facility in addition to our $500 million revolving credit facility with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the company will access in any particular situation will be a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to invest in a rising rate environment and secure attractive investment opportunities. Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at December 31, 2022, the company's cash and cash equivalents included $784 million of unrestricted cash resources that can be deployed to fund corporate activities as needed.

AS AT DEC. 31 US$ MILLIONS	**2022**	2021
Cash and cash equivalents	**$ 2,145**	$ 393
Liquid financial assets	**17,769**	6,813
Undrawn credit facilities	**544**	313
Total liquidity[1]	**$ 20,458**	$ 7,519

1. See "Performance Measures used by Management".

Comparison of the years ended December 31, 2022, 2021 and 2020

The following table presents a summary of our cash flows and ending cash balances for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Operating activities	**$ 107**	$ 1,581	$ 399
Investing activities	**(4,341)**	(3,864)	(385)
Financing activities	**5,994**	2,640	13
Cash and cash equivalents			
Cash and cash equivalents, beginning of the year	**393**	35	13
Net change during the year	**1,760**	357	27
Foreign exchange on cash balances held in foreign currencies	**(8)**	1	(5)
Cash and cash equivalents, end of the year	**$ 2,145**	$ 393	$ 35

Operating Activities

2022 vs. 2021

For the year ended December 31, 2022, we generated $107 million of cash from operating activities compared to $1.6 billion during 2021. The net decrease in the amount of cash generated in 2022 was primarily attributable to the absence of the large block coinsurance treaty closed in the prior year, which contributed $1.6 billion of net cash received on close of the transaction, which was partially offset by deferred acquisition costs on the reinsurance treaty.

2021 vs. 2020

For the year ended December 31, 2021, we generated $1.6 billion of cash from operating activities compared to $399 million during 2020. The greater amount of cash generated was primarily due to the coinsurance portion of the large block reinsurance treaty closed during the fourth quarter of 2021, which contributed $1 billion of net cash received on close of the transaction, net of total deferred acquisition costs.

Investing Activities

2022 vs. 2021

For the year ended December 31, 2022, we deployed $24 billion into new investments, including $4.1 billion relating to the acquisition of a 100% interest in American National, net of cash acquired, as well as $14 billion of redeployment into new investments within our insurance operating subsidiaries investment portfolios, which was primarily funded by the sales and maturities of liquid securities as we redeploy into higher-yielding strategies. The purchase and sales, net of maturities, resulted in net deployment of $4.3 billion of cash from investing activities, compared to $3.9 billion during the same period in 2021.

2021 vs. 2020

For the year ended December 31, 2021, we deployed $3.9 billion of cash from investing activities compared to $385 million during 2020. The greater amount of cash used in 2021 was primarily due to additional assets acquired from the reinsurance transactions, the larger number of PRT transactions during the year, portfolio rebalancing activities and additional investments held on the company's balance sheet outside of insurance and reinsurance agreements. The increase of cash used is mainly comprised of $6.0 billion of purchase of investments, partially offset by $2.1 billion of proceeds on disposal of investments.

Financing Activities

2022 vs. 2021

For the year ended December 31, 2022, we generated $6.0 billion of cash from financing activities compared to $2.6 billion generated in 2021. The cash generated in the current year primarily relates to the issuance of $2.5 billion of junior preferred shares, $450 million of Class C shares issued to Brookfield, and $1.5 billion of acquisition financing in connection with the purchase of American National, as well as $2.2 billion in additional borrowings to fund temporary corporate investments, the majority of which will be transferred into our insurance entities in the near term.

2021 vs. 2020

For the year ended December 31, 2021, we generated $2.6 billion of cash from financing activities compared to $13 million generated in the same period in 2020. The cash generated in 2021 related to $1.4 billion of cash received from the issuance of the class A exchangeable shares, class B shares and class C shares of the company during the year, and $1.1 billion of net corporate borrowings that temporarily funded corporate investments that were subsequently transferred into our insurance accounts in 2021.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As at December 31, 2022, our common equity was $1.5 billion and our adjusted equity was $4.9 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income.

Included in equity and adjusted equity was approximately $300 million invested in Canadian dollars. All cumulative translation adjustments recorded for the years ended December 31, 2022 and 2021 were related to foreign exchange movements on the Canadian dollar relative to the U.S. dollar.

As at December 31, 2022, we had a notional $2.6 billion (December 31, 2021 - $846 million) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 4, "Financial Instruments" of the financial statements.

Future Capital Obligations and Requirements

Subsidiaries of the company have investment commitment agreements to the maximum of $5.4 billion exclusive of taxes and other operating expenses (December 31, 2021 - $463 million). As at December 31, 2022, $2.6 billion was funded (December 31, 2021 - $81 million). The amounts are recognized as loans and receivables, unrated bonds and private equity investments.

For additional information, see Note 26, "Financial Commitments and Contingencies" of the financial statements.

AS AT DEC. 31 2022 US$ MILLIONS	Payments due by year **Total**	Less than 1 year	1- 3 years	4 - 5 years	More than 5 years
Future policy benefits	**$ 15,771**	$ 1,078	$ 2,142	$ 1,793	$ 10,758
Policyholders' account balances	**14,310**	1,288	2,576	1,717	8,729
Policy and contract claims	**1,786**	162	321	214	1,089
Unearned premium reserve	**1,086**	99	195	130	662
Due to related party	**309**	294	3	2	10
Reinsurance payable	**90**	16	36	19	19
Derivative liabilities	**38**	38	—	—	—
Other policyholder funds	**322**	29	58	39	196
Notes payable	**151**	11	62	6	72
Corporate borrowings	**2,160**	1,810	—	350	—
Subsidiary borrowings	**1,492**	—	—	1,000	492
Deferred revenue	**78**	5	8	7	58
Liabilities issued to reinsurance entities	**151**	—	—	—	151
Funds withheld liabilities	**10**	10	—	—	—
Preferred shares	**2,512**	—	—	—	2,512
Other liabilities	**731**	395	235	47	54
Separate account liabilities	**1,045**	95	188	125	637
Total	**$ 42,042**	$ 5,330	$ 5,824	$ 5,449	$ 25,439

Brookfield Operating Results

An investment in the class A exchangeable shares of the company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield's 2022 operating results is provided below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Revenues	**$ 92,769**	$ 75,731	$ 62,752
Net income	**5,195**	12,388	707

Each class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield in its continuous disclosure filings. Copies of the Brookfield's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Lines of Business

Direct Insurance

Following closing of the acquisition of American National, American National has become the platform for our third primary operating line: direct origination of life, annuity and property and casualty insurance policies, which we refer to as direct insurance.

American National, founded in 1905 and headquartered in Galveston, Texas, offers a broad spectrum of products and services through its subsidiaries, which include life insurance, annuities, property and casualty insurance, health insurance, credit insurance, and pension products. The American National companies operate in all 50 states, the District of Columbia and Puerto Rico.

Life Insurance

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Universal Life. Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates during the contract period, subject to policy specific minimums. An equity-indexed universal life product is credited with interest using a return that is based, in part, on changes in an index, such as the Standard & Poor's 500 Index ("S&P 500"), subject to a specified minimum.

Variable Universal Life. Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the securities selected by the policyholder held in the separate account.

Credit Life Insurance. Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay to the lender the borrower's remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuities

Deferred Annuities. A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value. An equity-indexed deferred annuity is credited with interest using a return that is based, in part, on changes in an index, such as the S&P 500, subject to a specified minimum.

Single Premium Immediate Annuity ("SPIA"). A SPIA is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant's life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuities. With a variable annuity, the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits.

Property and Casualty

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners, and other similar exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner's property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles, and umbrella protection coverage.

Commercial Lines. Commercial lines are primarily focused on providing insurance to agricultural related operations and small to midsize businesses. This includes property and casualty coverage tailored for a farm, ranch, or other agricultural-related businesses. Commercial auto insurance is typically issued in conjunction with the sale of our policies covering farms, ranches, and businesses and covers specific risks involved in owning and operating motor vehicles. Business owners' property and liability insurance, workers' compensation insurance, and other commercial insurance encompassing umbrella protection coverage and other liability coverages, are also offered.

Specialty Markets. Specialty Markets products include renters, mortgage security, aviation, private flood, and credit insurance. Credit insurance provides protection to borrowers and the creditors that extend credit to them against unpaid indebtedness as a result of death, disability, involuntary unemployment, or untimely loss to the collateral securing a personal or mortgage loan.

- *Collateral* or *Creditor Protection Insurance* ("CPI"). CPI provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor's interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.

- *Guaranteed Auto Protection* or *Guaranteed Asset Protection* ("GAP"). GAP insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

As of December 31, 2022, American National and its subsidiaries had $19.7 billion of future policy benefits and policyholder account balances.

Reinsurance

Within our Reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our Reinsurance business through licensed operating companies, North End Re (Cayman) SPC ("NER SPC") and North End Re Ltd ("NER Ltd."). As of the date of this MD&A, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure a block of U.S. annuities and fixed indexed annuities. As of December 31, 2022, NER SPC and NER Ltd. had $5.9 billion and $1.5 billion (December 31, 2021 - $4.7 billion and $1.6 billion, respectively) of future policy benefits, respectively.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated in Canada and the United States. Our Canadian PRT business is operated through Brookfield Annuity Company ("BAC"), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. Under American National, we also operate a U.S. PRT business, and successfully completed its first PRT transaction in December 2022. Our North American PRT businesses are led by a team of experts in group annuities, pensions, insurance and investments.

As of December 31, 2022, we had $3.0 billion (December 31, 2021 - $2.2 billion) of future policy benefits related to PRT.

Industry Trends and Factors Affecting Our Performance

As a financial services business providing capital based solutions to the insurance industry, we are affected by numerous factors, including global economic and financial market conditions. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business. We also monitor factors such as consumer spending, business investment, the volatility of capital markets, interest rates, unemployment and the risk of inflation or deflation, which affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products offered by our business. We believe the following current trends present significant opportunities for us to grow our business.

- **Financial market volatility and dislocations across asset classes favor insurers with diverse investment portfolios and access to alternative credit.** Insurers primarily invest in public market fixed income products and are exposed to public market valuations. Insurers with an ability to diversify investment portfolios to include alternative and private credit assets provides more favorable investment performance.

- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.
- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.
- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our Statements of Financial Position within our financial statements include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The company's obligations under its insurance contracts are denominated in Canadian and United States dollars but a portion of the assets supporting these liabilities are denominated in non-Canadian and non-United States dollars. We manage foreign exchange risk using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently increased in many jurisdictions in which we operate in 2022 but remain at relatively low levels by historical standards. The company's asset liability management practices and interest rate risk management allows the company to mitigate the impact of interest rate volatility on the business. However, sudden or unexpected changes in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

The company manages interest rate risk through their asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The company mitigates the equity risk by diversification of the investment portfolio.

The company also has equity risk associated with the equity-indexed life and annuity products the company issues. The company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

Credit Risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The company is primarily exposed to credit risk through its investments in debt securities.

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block’s acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

In the future we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our financial statements.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company’s internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

We have significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board of Directors.

Disaster recovery and business continuity plans have also been established to manage the company’s ability to operate under adverse conditions.

Critical Accounting Policy and Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments made by management and used in preparing the financial statements, are summarized below:

i. Future policy benefits

Contract classifications

Contracts under which the company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

Future policy benefits are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4. BAC's Appointed Actuary is responsible for determining the amount of future policy benefits in accordance with standards established by the CIA. CALM is used to determine future policy benefits and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that future policy benefits cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Future policy benefits are determined by NER Ltd. using a reserve methodology under accounting principles generally accepted in the United States of America ("US GAAP"), as permitted by IFRS 4. Future policy benefits are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Future policy benefits are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Future policy benefits are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Future policy benefits for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

Future policy benefits are determined by American National using US GAAP reserve methodology, as permitted by IFRS 4. Liabilities for future policy benefits for traditional products have been provided on a net level premium method based on estimated investment yields, withdrawals, mortality, and other assumptions that were appropriate at the time the policies were issued. Upon acquisition, the fair value of future policy benefits was determined using a Defined Valuation Net Premium (DVMP) method. Key assumptions used in calculating the fair value of future policy benefits include the net to gross premium ratio, discount rates and Provisions for Adverse Deviation (PADs) including mortality and inflation. Estimates are based on historical experience adjusted for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience. When it is determined that future expected experience differs significantly from existing assumptions, the estimates are revised for current and future issues.

Included within future policy benefits are amounts related to certain contracts or blocks of business that have negative VOBA. Negative VOBA is amortized over the duration of the respective contracts, being 30 years using the straight-line method. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions consistent with the policies described below for future policy benefits and interest sensitive contract liabilities. VOBA is the difference between the fair value of the liabilities and the reserves. Any negative VOBA is recorded within the associated reserves.

ii. Deferred acquisition costs and value of business acquired

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance, reinsurance, and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

DAC on Reinsurance business is amortized over the life of the policies in proportion to the estimated gross profits. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as DAC to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances.

Effective October 1, 2022, the company made a change in accounting policy to treat the difference between the amount paid for reinsurance contracts and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts as the cost of reinsurance that is deferred and amortized over the reinsurance contract. This was applied retrospectively as it resulted in reliable and more relevant information about the effects of the reinsurance treaty on the company's financial conditions and performance.

DAC on traditional life, including limited-pay contracts, and health products is amortized with interest over the anticipated premium-paying period of the related policies in proportion to the ratio of annual premium revenue expected to be received over the life of the policies. Expected premium revenue is estimated by using the same mortality, morbidity, and withdrawal assumptions used in computing liabilities for future policy benefits.

DAC on universal life and investment-type contracts is amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect of the realization of unrealized gains (losses) on DAC is recognized in net unrealized loss on available for sale securities in the Statements of Financial Position as of the reporting date. A change in interest rates could have a significant impact on DAC calculated for these contracts.

DAC associated with property and casualty business is amortized over the coverage period of the related policies, in relation to premiums earned.

DAC on participating whole life products is amortized in proportion to estimated gross margins. Estimated gross margins are equal to premiums, plus investment income, less benefits, less expenses not included in DAC, less the change in reserves, less dividends.

For short-duration and long-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts.

Value of Business Acquired ("VOBA") is the intangible asset representing the value assigned to contracts already in force.

In conjunction with the acquisition of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from cash flows and earnings of associated insurance policies and investment contracts. This intangible asset is based on the actuarially estimated present value of future cash flows from associated insurance policies and investment contracts acquired. The estimated present value of future cash flows used in the calculation of VOBA is based on certain assumptions, including mortality, persistency, expenses and interest rates that the company believes to be those of a market participant. The company amortizes VOBA based on the estimated premium earning patterns.

iii. Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which NER Ltd. and NER SPC, indirect wholly owned subsidiaries of the company, act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by NER Ltd. and NER SPC. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, NER Ltd. and NER SPC would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. and NER SPC have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by NER Ltd. and NER SPC. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments (Note 2(l)).

iv. Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements (“Modco arrangements”).

Assets and liabilities assumed under Modco arrangements are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Statements of Operations. Assumed premiums are included in premiums on the Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco arrangements and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

v. Reinsurance assets

In the normal course of business, BAC and American National are users of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC and American National remain liable to its policyholders for the portion reinsured.

Reinsurance assets are estimated amounts due to the company from reinsurers related to paid and unpaid ceded claims and claim adjustment expenses ("CAE") and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under our non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of IBNR using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and our estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

At each reporting date, the reinsurance assets, if any, are assessed for impairment. If there is objective evidence that the reinsurance assets are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

vi. Policyholders’ account balances

Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed per derivative accounting guidance.

vii. Policy and contract claims

Policy and contract claims are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported claims ("IBNR") liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process.

viii. Other policyholder funds

Other policyholder funds consist of liabilities related to dividends payable on participating business. For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends, less net income allocated to stockholders, as well as a pro rata portion of unrealized investment gains (losses), net of tax.

ix. Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Statements of Operations.

x. Premium, benefits, claims incurred, and expenses

Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contract holders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid, and earned policy service fees. Amounts included in benefits are claims in excess of account balances returned to policyholders and interest credited to account balances.

Property and casualty premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection, which is generally evenly over the contract period. Claims incurred consist of claims and CAE paid and the change in reserves.

Gross premiums for PRT and reinsurance issued are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, future policy benefits are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the company and reinsurer. Premium refunds, if any, are recognized on an accrual basis. Gross benefits and benefits ceded are recorded in the Statements of Operations when they are due and incurred.

xi. Investment in associates, joint ventures and other limited partnership interests

Associates are entities over which the company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Other limited partnership interests are partnership arrangements in which the company has the ability to exercise significant influence over the investee's operations, but it does not have a controlling interest and is not the primary beneficiary.

The equity method is used to account for the company's investments in associates, joint ventures and other limited partnership interests within the Statements of Financial Position and the Statements of Operations.

Interests in associates, joint ventures and other limited partnership interests accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate or joint venture or other limited partnership interests is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate or joint venture or other limited partnership interests is greater than the company's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture or other limited partnership interests is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the company's interest in an associate or joint venture or other limited partnership interests is adjusted for the company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture or other limited partnership interests are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates or joint ventures or other limited partnership interests is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 7.

xii. Structured entities

The company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the company, and its reinsurance treaty accounts. The company controls these entities, and as a result, these entities are consolidated within the company's financial statements. The company assesses the variable returns determination for the structured entities on an ongoing basis.

Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the company's investment in the consolidated structured entities is determined in accordance with the company's accounting policies for the underlying securities held within the structured entities.

xiii. Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is allocated to the cash-generating unit or units to which it relates. The company identifies cash-generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated value-in-use and fair value less costs of disposal. Impairment losses recognized in respect of a cash-generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash-generating unit. Any goodwill impairment is charged to profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. In the year of a business acquisition, the recoverability of the acquired goodwill is assessed by revisiting the assumptions of the related underwriting model.

The company assesses the impairment of goodwill by reviewing the value-in-use or fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The company uses the following significant assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating unit, discount rates, terminal capitalization rates, terminal valuation dates, useful lives and residual values.

Future Accounting Policy Changes

Our Company will be converting from IFRS to US GAAP as our accounting framework for the period beginning January 1, 2023. The purpose of the conversion is to better align our financial statements and related disclosures with our peer set and use a framework that we think will be more familiar to potential ceding company clients. The conversion for the period beginning January 1, 2023 was determined given the new accounting standards for Insurance Contracts under US GAAP (ASU 2018-12 Long-Duration Targeted Improvement, or LDTI) has an effective implementation date of January 1, 2023. However, the company's financial statements for the year ended December 31, 2022 will be reported under IFRS and our financial statements will be reported under US GAAP beginning with the first quarter of 2023.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-IFRS measures, including Distributable Operating Earnings and Adjusted Equity. In addition, we provide certain metrics such as Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the "Segment Review" section of this MD&A for further discussion on our performance measures as at December 31, 2022, and for the years ended December 31, 2022, 2021 and 2020.

Non-IFRS Measures

We regularly monitor certain Non-IFRS measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-IFRS financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with IFRS. These Non-IFRS measures are not comparable to IFRS and may not be comparable to similarly described Non-IFRS measures reported by other companies, including those within our industry. Consequently, our Non-IFRS measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable IFRS measure in our consolidated financial statements for the years presented. The Non-IFRS financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with IFRS. During the year, Excess Capital and Net Reserve capital were no longer used as Non-IFRS measures as following the completion of the American National acquisition, the majority of equity within the business is deployed into insurance operating companies.

Distributable Operating Earnings

Distributable Operating Earnings is a key measure of our financial performance. We use Distributable Operating Earnings to assess operating results and the performance of our businesses. We define distributable operating earnings as net income excluding the impact of depreciation and amortization, deferred income taxes, income from equity accounted investments, mark-to-market on investments, reserves and derivatives, breakage and transaction costs, and is inclusive of our share of adjusted earnings from our investments in associates.

Distributable operating earnings is a measure of operating performance. We use distributable operating earnings to assess our operating results. Distributable Operating Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by IFRS as issued by the IASB. Distributable Operating Earnings is therefore unlikely to be comparable to similar measures presented by other issuers.

We believe our presentation of Distributable Operating Earnings is useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of Distributable Operating Earnings also provide investors enhanced comparability of our ongoing performance across years.

Adjusted Equity

Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. We use Adjusted Equity to assess our return on our equity.

For further details regarding our use of our Non-IFRS measures, as well as a reconciliation of net income and total equity to these measures, see the "Reconciliation of Non-IFRS Measures" section of this MD&A.

Reconciliation of Non-IFRS Measures

The following table reconciles our net income to Distributable Operating Earnings:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Net income	**$ 492**	$ (44)	$ 1
Deferred income tax expense	**47**	2	—
Junior preferred share dividends	**67**	—	—
Transaction costs	**31**	8	—
Equity accounted (income) loss	**(54)**	(8)	—
Depreciation	**13**	—	—
Mark-to-market on investments and reserves	**(208)**	72	—
Distributable Operating Earnings	**$ 388**	$ 30	$ 1

The following table reconciles our equity to Adjusted Equity:

AS AT DEC. 31 US$ MILLIONS	**2022**	2021	2020
Total equity	**$ 1,457**	$ 1,435	$ 83
Add:			
Accumulated Other Comprehensive Loss (Income)	**883**	16	(4)
Preferred shares	**2,512**	—	—
Adjusted equity	**$ 4,852**	$ 1,451	$ 79

5.B LIQUIDITY AND CAPITAL RESOURCES

See Item 5.A "Operating Results – Liquidity and Capital Resources"

5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

None.

5.D TREND INFORMATION

See Item 5.A "Operating Results — Industry Trends and Factors Affecting Our Performance"

5.E CRITICAL ACCOUNTING ESTIMATES

See Item 5.A "Operating Results — Critical Accounting Policy and Estimates"

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors and Executive Officers

The table below presents certain information concerning the board of directors and executive officers of our company.

Name, City, Province and Country of Residence	Position/Title	Age	Principal Occupation
Barry Blattman(1) New York, USA	Director	60	Vice Chair of Brookfield Asset Management
Dr. Soonyoung Chang(2) Dubai, UAE	Director	64	Senior Advisor, Investment Corporation of Dubai
William Cox(2)(3)(4)(5) Devonshire, Bermuda	Director	60	Director
Gregory Morrison(3) Smith's Parish, Bermuda	Director	65	Corporate Director
Lars Rodert(3)(4) Stockholm, Sweden	Director	61	Founder and Chief Executive Officer, ÖstVäst Advisory AB
Anne Schaumburg(2)(3)(4) New Jersey, USA	Director	73	Business Executive; Director
Sachin Shah(1)(6) Toronto, Ontario, Canada	Director Chief Executive Officer(7)	46	Chief Executive Officer of our company and Managing Partner and Chief Executive Officer, Insurance Solutions of Brookfield Corporation
Jay Wintrob Los Angeles, USA	Director	65	Chief Executive Officer of Oaktree Capital Management
Thomas Corbett Toronto, Ontario, Canada	Chief Financial Officer(7)	43	Chief Financial Officer of our company and Managing Partner of Brookfield Corporation
Paul Forestell Toronto, Ontario, Canada	Chief Operating Officer	54	Chief Operating Officer of our company
Lorenzo Lorilla Toronto, Ontario, Canada	Chief Investment Officer(7)	41	Chief Investment Officer of our company and Managing Partner of Brookfield Corporation
Gregory McConnie Christ Church, Barbados	Chief Executive Officer of North End Re	51	Chief Executive Officer of North End Re

(1) Compensation is not expected to be paid for any services rendered as a director.

(2) Member of our Compensation Committee. Anne Schaumburg is the chair of our Compensation Committee.

(3) Member of our Audit Committee. Lars Rodert is the chair of our Audit Committee and is the Audit Committee financial expert. Our Audit Committee consists solely of independent directors, each of whom are persons determined by our company to be financially literate within the meaning of *National Instrument 52-110 — Audit Committees*. Each of our Audit Committee members has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably be expected to be raised by our company's financial statements.

(4) Member of our Governance and Nominating Committee. William Cox is the chair of our Governance and Nominating Committee.

(5) Lead independent director.

(6) Chair of our board.

(7) Services provided pursuant to the Administration Agreement. See Item 10.C "Material Contracts — The Administration Agreement".

The business address of Mr. Blattman, Ms. Schaumburg and Mr. Lorilla is Brookfield Place, 250 Vesey Street, 15th Floor, New York, NY 10281. The business address of Dr. Chang, Mr. Cox, Mr. Morrison and Mr. Rodert is Ideation House, First Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda. The business address of each of Mr. Shah, Mr. Corbett, Mr. Forestell is Suite 100, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The business address of Mr. Wintrob is 333 S. Grand Avenue Los Angeles, California 90071. The business address of Mr. McConnie is Rendezvous Corporate Center, 2nd Floor, Rendezvous, Christ Church, Barbados, BB15131.

Biographies of our Directors and Executive Officers

Barry Blattman. Barry has served as a director of our company since November 2021. A resident of New York, New York, U.S., Mr. Blattman is Vice Chair of Brookfield Asset Management. In this role, he focuses on senior, strategic client and business relationships, and contributes to general business development and transaction strategy globally. Prior to joining Brookfield in 2002, Mr. Blattman was a Managing Director at Merrill Lynch, having begun his career with Salomon Brothers in 1986. Mr. Blattman holds a Master of Business administration degree from New York University and a Bachelor of Arts degree from the University of Michigan. He serves on the boards of Montefiore Medicine and Montefiore Health System, is chairman of Montefiore's Real Estate Planning & Development Committee, Co-Chair of the University of Michigan's NY Metropolitan Regional Campaign Council and is a member of The University of Michigan LSA Dean's Advisory Committee.

Dr. Soonyoung Chang. Soonyoung Chang has served as a director of our company since November 2021. A resident of Dubai, UAE, Dr. Chang serves as Senior Advisor to the Investment Corporation of Dubai, providing strategic counsel and lending his global perspective to the investment arm of the Dubai Government. Dr. Chang is the founder and chairman of Midas International Asset Management Company, an international asset management fund. He is also a founding partner of Sentinel Advisor, a New York-based arbitrage fund. He has also served as an advisor to a variety of financial institutions, including Korea National Pension Corporation, Hyundai International Merchant Bank and Templeton-Ssangyong Investment Trust Company. Dr. Chang holds Masters and Doctoral degrees from George Washington University and has authored many books and articles on the subject of financial engineering.

William Cox. William Cox has served as director of our company since May 2021. A resident of Hamilton, Bermuda, Mr. Cox is the President and Chairman of Waterloo Properties, a fifth-generation family-owned business that operates real estate and retail investment companies in Bermuda. Mr. Cox is also a director of Brookfield Infrastructure Partners and Brookfield Infrastructure Corporation. Mr. Cox has also served as Chairman of the Board of Trustees for Saltus Grammar School and completed his education at Lynchburg College in Virginia.

Gregory Morrison. Gregory Morrison has served as director of our company since December 2020. A resident of Hamilton, Bermuda, Mr. Morrison sits on a number of property, casualty and life insurance company boards and their subsidiaries, including Trisura Group Ltd., Aetna Life and Casualty (Bermuda) Limited, Multi-Strat Holdings Ltd., Property Insurance Company of America, Aspen Bermuda Ltd., Stonybrook Capital LLC and various international subsidiaries of Brookfield Corporation. He previously served as Chief Executive Officer of Trisura Group Ltd., Imagine Group Holdings Ltd., Platinum Underwriters Holdings Ltd. and London Reinsurance Group Inc. Mr. Morrison is a Fellow of the Society of Actuaries (retired).

Lars Rodert. Lars Rodert has served as a director of our company since November 2021. Mr. Rodert is the founder and CEO of ÖstVäst Capital Management. He previously served as a global investment manager for IKEA Treasury and Chief Investment Officer of SEB Asset Management, where he was responsible for SEB Global Funds. Prior to SEB Asset Management, Mr. Rodert worked at Gordon Capital and served as a partner with a private investment holding company, Robur et. Securitas. Mr. Rodert holds a Master of Science Degree in Business and Economics from Stockholm University.

Anne Schaumburg. Anne Schaumburg has served as director of our company since May 2021. A resident of Green Village, New Jersey, U.S., Ms. Schaumburg has been a member of the board of directors of NRG Energy, Inc., a power generation company listed on NYSE, since 2005, where she serves as Chair of the Audit Committee and is a member of the Compensation Committee. During her tenure at NRG Energy, Inc., she also served as Chair of the Finance Committee and was a member of the Nuclear Oversight Committee. She is currently Chair of Brookfield Infrastructure Partners and Brookfield Infrastructure Corp and serves on their respective Audit Committees. Prior to her retirement, she was a Managing Director of Credit Suisse First Boston and a senior banker in the Global Energy Group. Ms. Schaumburg was responsible for assisting clients on advisory and finance assignments. Her transaction expertise includes mergers and acquisitions, debt and equity capital market financings, project finance and privatizations.

Sachin Shah. Sachin Shah has served as the Chair of the Board and Chief Executive Officer of our company since May 2021. As Chief Executive Officer, he oversees a seasoned team focused on providing capital-based solutions to insurance companies and their stakeholders. A resident of Toronto, Canada, Mr. Shah is also a Managing Partner and Chief Executive Officer, Insurance Solutions of Brookfield Corporation and a director of Brookfield Renewable Partners. Mr. Shah joined Brookfield in 2002 and has held a variety of senior roles, including Chief Investment Officer of Brookfield Asset Management and Chief Executive Officer of Brookfield Renewable Partners where he was instrumental in growing the platform into a global business diversified across multiple technologies. Mr. Shah is a member of the board of the Ryerson University Brookfield Institute for Innovation and Entrepreneurship. Mr. Shah holds a Bachelor of Commerce degree from the University of Toronto and is a member of the Chartered Professional Accountants of Canada.

Jay Wintrob. Jay Wintrob has served as a director of our company since November 2021. A resident of Los Angeles, California, Mr. Wintrob is Chief Executive Officer of Oaktree Capital Management and has served as a member of Oaktree's board of directors since 2011. Prior to joining Oaktree, he held several senior roles at AIG Life and Retirement, the U.S.-based life and retirement services segment of American International Group, Inc., including President and Chief Executive Officer, and Vice Chairman and Chief Operating Officer of AIG Retirement Services. Mr. Wintrob began his career in financial services as Assistant to the Chairman of SunAmerica Inc., and subsequently served in several other executive positions, including President of SunAmerica Investments, Inc. Mr. Wintrob was previously with the law firm of O'Melveny & Myers. He holds Juris Doctor and Bachelor of Arts degrees from the University of California, Berkeley. Mr. Wintrob is a board member of several non-profit organizations, including The Broad Foundations, the Doheny Eye Institute, The Los Angeles Music Center, the Skirball Cultural Center and Cedars-Sinai Medical Center.

Thomas Corbett. Mr. Corbett is Chief Financial Officer of our company. Mr. Corbett joined Brookfield in 2008, and since then has held a number of senior finance positions in its Renewable Power Group including Chief Financial Officer of Brazilian renewable power operations as well as Chief Financial Officer of the energy marketing group. Mr. Corbett was most recently a Managing Director of Brookfield Asset Management, responsible for global accounting and financial reporting functions. Mr. Corbett holds a Bachelor of Commerce degree from Carleton University and is a Chartered Professional Accountant.

Paul Forestell. Paul Forestell is Chief Operating Officer of our company. Mr. Forestell joined Brookfield in 2015 and was responsible for the establishment and licensing of BAC as a licensed insurance company in Canada, as the company's first President and Chief Executive Officer. Prior to joining Brookfield, Mr. Forestell was a senior partner in a large global consulting firm with responsibility for their retirement consulting business in Canada. Mr. Forestell is a Fellow of the Canadian Institute of Actuaries and the Society of Actuaries. Mr. Forestell holds a Bachelor of Science with High Distinction and a Master of Arts – Economics both from the University of Toronto.

Lorenzo Lorilla. Lorenzo Lorilla is Chief Investment Officer of our company. Mr. Lorilla joined Brookfield in 2021 and was most recently a Managing Partner and Deputy Chief Investment Officer responsible for asset allocation and execution of investment strategy for our company. Prior to joining Brookfield, Mr. Lorilla was Deputy Chief Investment Officer of Kuvare Insurance Services, and previously, Head of Credit Investments at Global Atlantic Financial Group as well as its predecessor, the Goldman Sachs Reinsurance Group. Mr. Lorilla holds a Master of Engineering from Massachusetts Institute of Technology.

Gregory McConnie. Gregory McConnie serves as the Chief Executive Officer of NER SPC and of NER Ltd. and is the President and Chief Executive Officer of Brookfield International Holdings Inc. (formerly Brookfield International Bank Inc.), a position he has held since 2012. In his current role, Mr. McConnie is responsible for Brookfield's Barbados operations and serves as director on several Brookfield entities in Bermuda. Mr. McConnie is a member of the Barbados Economic Recovery and Transformation plan monitoring committee, an independent committee responsible for monitoring the performance of the Government of Barbados against targets agreed with the International Monetary Fund under a fund facility provided by the IMF. Mr. McConnie has over 25 years of experience in the financial services industry. Mr. McConnie was educated at the University of the West Indies and is a Fellow of the Association of Chartered Certified Accountants and of the Institute of Chartered Accountants of Barbados. He also earned the Associate in Reinsurance designation from The Institutes.

Indebtedness of Directors and Executive Officers

To the knowledge of our company, no current or former director, officer or employee of our company, nor any associate or affiliate of any of them, is or was indebted to our company at any time since its formation.

Directors' and Officers' Liability Insurance

The directors and officers of our company are or will be covered by directors' and officers' liability insurance. Under this insurance coverage, our company will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of the directors and officers of our company, subject to a deductible for each loss, which will be paid by us. Individual directors and officers of our company will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by our company. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

6.B COMPENSATION

Director Compensation

For the year ended December 31, 2022**,** the directors of our company were entitled to an annual retainer of $150,000 for their service on the board and the Committees, and reimbursement of expenses incurred in attending meetings. The lead independent director of our company was paid an additional amount of $50,000, for serving in such position. The chair of the Audit Committee received an additional $20,000 and members of the Audit Committee received an additional $10,000 for serving in such positions. Directors who are not independent due to their employment with Brookfield receive no fees for their services on the board of our company.

Compensation Element	Amount for the Year Ended December 31, 2022
Annual Retainer	$150,000
Audit Committee Chair Additional Retainer	$20,000
Audit Committee Member Additional Retainer (Non-Chair)	$10,000
Lead Independent Director Additional Retainer	$50,000

The following table sets out information concerning the compensation earned by, paid to or awarded to the directors in their capacities as directors of the company during the year ended December 31, 2022. The directors are paid in U.S. dollars. The Governance and Nominating Committee periodically reviews board compensation in relation to its peers and other similarly-sized companies and is responsible for approving changes in compensation for non-employee directors.

Director Compensation Table

Name	*Fees Earned in Cash* ($)	*Share and option-based awards* ($)	*All Other Compensation* ($)	*Total Annual Compensation* ($)
Barry Blattman[(e)]	-	-	-	-
Soonyoung Chang	$150,000	-	-	$150,000
William Cox[(a)(b)]	$210,000	-	-	$210,000
Gregory Morrison[(a)(c)]	$162,500	-	-	$162,500
Lars Rodert[(a)(d)]	$167,500	-	-	$167,500
Anne Schaumburg[(a)]	$160,000	-	-	$160,000
Sachin Shah[(e)]	-	-	-	-
Jay Wintrob	$150,000	-	-	$150,000

Notes:

(a) Audit Committee Member.

(b) William Cox served as Lead Independent Director.

(c) Gregory Morrison served as Audit Committee Chair for part of the year.

(d) Lars Rodert served as Audit Committee Chair for part of the year.

(e) Each of Barry Blattman and Sachin Shah receive no compensation in their capacities as affiliated directors of our company.

Equity Ownership of Directors

We believe that directors can better represent shareholders if they have economic exposure to our company themselves. We expect that directors of our company hold sufficient class A exchangeable shares and/or Brookfield Class A Shares such that the acquisition costs of our class A exchangeable shares or Brookfield Class A Shares held by such directors is equal to at least two times their aggregate annual retainer for serving as a director of our company, as determined by our board from time to time. Directors of our company are required to meet this requirement within five (5) years of their date of appointment.

The current directors of the company together beneficially own approximately 1% of the class A exchangeable shares.

Executive Compensation

Compensation Philosophy of our Company

Our named executive officers ("**NEOs**") comprise the core senior management team of our company, some of whom are employees of Brookfield and are provided to our company pursuant to the Administration Agreement. Our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and Gregory McConnie, the Chief Executive Officer of our reinsurance business, are employees of Brookfield who perform functions for our company that would make them NEOs of our company. Brookfield Corporation, and not our company, determines the compensation of the NEOs who are Brookfield employees. Our company has adopted an approach to compensation that is intended to foster an entrepreneurial environment that encourages management to consider the risks associated with the decisions they make and take actions that will create long-term sustainable cash flow growth and will improve long-term shareholder value. Our company pays fees to Brookfield Corporation under the Administration Agreement on a cost recovery basis for the services of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Executive Officer of our reinsurance business equal to the pro rata portion of their annual base salary, cash bonus and overhead costs attributable to the services they provide to our company. Our company does not reimburse Brookfield Corporation for any costs associated with the participation of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer or the Chief Executive Officer of our reinsurance business in Brookfield Corporation's long-term incentive plans. Compensation of the NEOs is determined and approved by Brookfield Corporation, in the case of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Executive Officer of our reinsurance business, and by our compensation committee, in the case of all other NEOs.

During 2022, our NEOs received approximately $4.4 million in aggregate compensation paid by our company for all services to our company and our subsidiaries. There are currently no equity compensation plans under which equity securities of the company or our subsidiaries are authorized for issuance, however, our NEOs may, at the discretion of Brookfield Corporation, participate in certain long-term incentive plans of Brookfield Corporation or Brookfield Asset Management Ltd. for their services to Brookfield Corporation or Brookfield Asset Management Ltd., including in the form of deferred share units, restricted shares, escrowed shares, and stock options. Each form of Brookfield Corporation and Brookfield Asset Management Ltd. long-term incentive plans have similar terms and conditions.

With the exception of Mr. McConnie, there are no employment contracts between the NEOs and our company or Brookfield Corporation. With the exception of Mr. McConnie, none of the NEOs have any termination, change of control arrangement or other compensatory plan, contract or arrangement with our company or Brookfield Corporation. Pursuant to his employment agreement, in the event that Mr. McConnie's employment is terminated by his employer, he is eligible to receive a severance payment as determined under the Severance Payments Act of Barbados (Chapter 355A), plus a one-time payment in the amount of BBD$300,000 (equivalent to US$150,000 at an exchange rate of BBD$1.00 = US$0.50).

Compensation Elements for our NEOs

The primary elements of total compensation for our NEOs include base salary, annual management incentive plan awards, which we refer to as a cash bonus, and participation in long-term incentive plans. Our company pays fees to Brookfield Corporation under the Administration Agreement on a cost recovery basis for the services of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Executive Officer of our reinsurance business equal to the pro rata portion of their annual base salary, cash bonus and overhead costs attributable to the services they provide to our company. Our company does not reimburse Brookfield Corporation for any costs associated with the participation of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer or the Chief Executive Officer of our reinsurance business in Brookfield Corporation's long-term incentive plans.

Our company has adopted an approach to compensation that aligns with Brookfield Corporation's approach and consists of the three primary elements of base salary, cash bonus, and participation in long-term incentive plans. As executives progress within our company, we expect that an increasingly larger share of annual compensation for these executives will be represented by awards pursuant to one of Brookfield's long-term incentive plans, which vest over time, in order for the executives to increase their ownership interest under one of Brookfield's long-term incentive plans and to be consistent with our company's focus on long-term value creation. Our company has no control over the form or amount of the compensation paid by Brookfield Corporation to the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer or the Chief Executive Officer of our reinsurance business and their participation in Brookfield's long-term incentive plans is not allocated to or payable by our group. However, our company will reimburse Brookfield Corporation for the participation of our NEOs that are not employed by Brookfield Corporation in Brookfield's long-term incentive plans.

Compensation of the NEOs is determined and approved by Brookfield Corporation, in the case of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Executive Officer of our reinsurance business, and by the Compensation Committee, in the case of all other NEOs.

Base Salaries

Base salaries tend to remain fairly constant from one year to another unless the scope and responsibility of a position has changed. Base salaries deliver the only form of fixed compensation for the NEOs and are not intended to be the most significant component of their compensation.

Cash Bonus and Long-Term Incentive Plans

Given the NEOs' focus on long-term decision making, the impact of which is difficult to assess in the short-term, Brookfield Corporation and our company believes that a heavy emphasis on annual incentives and a formulaic calculation based on specific operational or individual targets may not appropriately reflect their long-term objectives. Accordingly, the cash bonus and compensation under long-term incentive plans are determined primarily through an evaluation of the progress made in executing the company's strategy and the performance of the business as a whole. Significant contributions to the business strategy of Brookfield are also considered.

The level of cash bonus and long-term incentive compensation granted to each NEO is discretionary. While no specific weight is given to the achievement of any individual objective, consideration is given to their accomplishments during the year, and an assessment of their decisions and actions and how those decisions and actions align with the long-term strategy of value creation as well as how the NEO considered the risks associated with such decisions. In addition, consideration is given to the achievement of objective set at the beginning of the year with our Chief Executive Officer and whether any objectives were not met because management made decisions in the best long-term interests of the business or due to factors outside of management's control.

Given that the exchangeable shares are intended to be, as nearly as practicable, functionally and economically equivalent to an investment in Brookfield Class A Shares and that any long-term equity incentive plan of our company would need to be operated and administered as a long-term equity incentive plan of Brookfield, Brookfield Corporation and our company determined that continued participation by our NEOs in Brookfield's long-term incentive plans was most appropriate.

Brookfield's long-term incentive plans are intended to encourage share ownership in Brookfield Class A Shares, increase executives' interest in the success of Brookfield, and encourage the retention of executives as a result of the delayed vesting of awards. The purpose of these arrangements is to align the interests of Brookfield shareholders and management and to motivate executives to improve Brookfield's and our company's long-term financial success, measured in terms of enhanced shareholder value over the long-term. This opportunity for wealth creation enables us to attract and retain talented executives.

Brookfield has three forms of long-term incentive plans, of which the terms and conditions are substantially the same between each company, in which certain NEOs of our company participate. They are described below in more detail:

1. ***Management Share Option Plan***. The management share option plans of Brookfield, which we refer to as the MSOP, governs the granting to executives of options to purchase the respective Brookfield Class A Shares at a fixed price. The options typically vest as to 20% per year commencing on the first anniversary of the date of the award and are exercisable over a ten-year period. The MSOP is administered by the board of directors of Brookfield. Options are typically granted in late February or early March of each year as part of the annual compensation review. Brookfield's compensation committee has a specific written mandate to review and approve executive compensation. Brookfield's compensation committees make recommendations to the respective Brookfield board of directors with respect to the proposed allocation of options based, in part, upon the recommendations of our Chief Executive Officer. The Brookfield board of directors must then give their final approval. The number of options granted to NEOs is determined based on the scope of their roles and responsibilities and their success in achieving the company's objectives. Consideration is also given to the number and value of previous grants of options. Since the annual option awards are generally made during a blackout period, the effective grant date for such options is set six (6) business days after the end of the blackout period. The exercise price for such options is the volume-weighted average trading price for the respective Brookfield Class A Shares on the NYSE for the five (5) business days preceding the effective grant date.

2. ***Deferred Share Unit Plan***. Brookfield's deferred share unit plans, which we refer to as the DSUP, provides for the issuance of deferred share units, which we refer to as DSUs, the value of which are equal to the value of the respective Brookfield Class A Share. DSUs vest over periods of up to five years, with the exception of DSUs awarded in lieu of a cash bonus which vest immediately. DSUs can only be redeemed for cash upon cessation of employment through retirement, resignation, termination or death. The DSUP is administered by the respective Brookfield's compensation committees. DSUs are issued based on the value of the respective Brookfield Class A Shares at the time of the award, which we refer to as the DSU allotment price. In the case of DSUs acquired through the reinvestment of cash bonus awards, the DSU allotment price is equal to the exercise price for options granted at the same time as described above. Holders of DSUs will be allotted additional DSUs as dividends are paid on the respective Brookfield Class A Shares on the same basis as if the dividends were reinvested pursuant to Brookfield Corporation's dividend reinvestment plan. These additional DSUs are subject to the same vesting provisions as the underlying DSUs. The redemption value of DSUs will be equivalent to the market value of an equivalent number of the respective Brookfield Class A Shares on the cessation of employment with Brookfield.

3. ***Restricted Stock Plans***. Brookfield has restricted stock plans and an escrowed stock plans, which we refer to as the restricted stock plan and escrowed stock plan, respectively. These plans were established to provide Brookfield and its executives with alternatives to Brookfield's existing plans which would allow executives to increase their share ownership. Restricted shares have the advantage of allowing executives to become Brookfield shareholders, receive dividends, and to have full ownership of the shares after the restriction period ends. Restricted shares must be held until the vesting date (or in certain jurisdictions until the fifth anniversary of the award date). Holders of restricted shares receive dividends that are paid on the respective Brookfield Class A Shares in the form of cash, unless otherwise elected. The escrowed stock plan governs the award of non-voting common shares, which we refer to as escrowed shares, of one or more private companies, which we refer to as an escrow company, to executives or other individuals designated by Brookfield's compensation committees. Each escrow company is capitalized with common shares and preferred shares issued to Brookfield for cash proceeds. Each escrow company uses its cash resources to directly and indirectly purchase the respective Brookfield Class A Shares. Dividends paid to each escrow company on the Brookfield Class A Shares acquired by the escrow company will be used to pay dividends on the preferred shares which are held by Brookfield. The respective Brookfield Class A Shares acquired by an escrow company will not be voted. Escrowed shares typically vest 20% each year commencing on the date of the first anniversary of the award date. Each holder may exchange escrowed shares for Brookfield Class A Shares issued from treasury no more than 10 years from the award date. The value of Brookfield Class A Shares issued to a holder on an exchange is equal to the increase in value of the Brookfield Class A Shares held by the applicable escrow company.

In addition to these plans, executives who have responsibilities in Brookfield's dedicated fund management groups may have long term incentive arrangements that also include a component more directly linked to the long-term performance of the fund being managed. However, the payments made under such plans are directly related to the value created for the fund's investors which, in turn, benefit Brookfield as the general partner and a limited partner. A percentage of the fund's profits are paid to participants in these plans typically after the capital invested and a preferred rate of return has been paid to investors.

Our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Executive Officer of our reinsurance business are subject to Brookfield's clawback policy and our other NEOs are subject to our company's clawback policy. Pursuant to Brookfield's clawback policy, executive officers of Brookfield Corporation may be required to pay Brookfield Corporation an amount equal to some or all of any cash payments or equity awards granted or paid to an executive officer under the terms of any of Brookfield Corporation's incentive compensation or long-term incentive plans (collectively, "**Awards**"). This payment may be required in the event an executive officer is determined to have engaged in conduct which Brookfield Corporation's compensation committee determines is detrimental to Brookfield Corporation. Brookfield Corporation's compensation committee has full and final authority to make all determinations under the clawback policy including, without limitation, whether the clawback policy applies and if so, the amount of compensation to be repaid or forfeited by the executive officer. In order to protect Brookfield Corporation's reputation and competitive ability, executive officers may be required to make such a payment if they engage in conduct that is detrimental to Brookfield Corporation during or after the cessation of their employment with Brookfield Corporation. Detrimental conduct includes any conduct or activity, whether or not related to the business of Brookfield Corporation, that is determined in individual cases by Brookfield Corporation's Compensation Committee, to constitute: (i) fraud, theft-in-office, embezzlement or other illegal activity; (ii) failure to abide by applicable financial reporting, disclosure and/or accounting guidelines; (iii) material violations of Brookfield Corporation's code of business conduct and ethics; or (iv) material violations of Brookfield Corporation's positive work environment policy (including the sexual harassment related provisions thereof). The clawback policy relates to any Awards received (i) on or after the date the executive officer is determined to have engaged in detrimental conduct and/or (ii) the two-year period prior to the date the executive officer is determined to have engaged in detrimental conduct. Where it is determined that the executive officer engaged in detrimental conduct, Brookfield Corporation's compensation committee will have the ability to: (i) require the executive officer to re-pay any Award paid to the executive officer; (ii) cancel/revoke any prior Award that has not yet vested, and any Award that has vested but has not yet been exercised; and/or (iii) require the executive officer to re-pay the cash value realized by the executive officer on any Award that has already vested to the executive officer. Awards include all plans under which cash payments or equity awards granted or paid are currently being made by Brookfield, including the DSUs, escrowed shares and restricted shares. Under our company's clawback policy, which is in substantially the same form as Brookfield's clawback policy described above, individuals who are designated as executive officers of our company may be required to pay the company or Brookfield Corporation a portion of any incentive or equity-based compensation and the profits realized from the sale of securities of our company or Brookfield Corporation in the event of a significant restatement of the financial statements of our company or if they engage in conduct which the board determines is materially detrimental to the company. The company's Compensation Committee determines the amount to be paid and recommend same to the board for approval. Our company's clawback policy may be applied in respect of conduct by an executive officer that is materially detrimental to the company both during or after the cessation of service with the company. The compensation that is subject to our clawback policy is comprised of compensation and benefits received in the period two years prior to the event giving rise to the claim and includes both monetary payments and shares or cash received from the exercise of options or the redemption of any other awards received under our company or Brookfield Corporation's long-term share ownership plans from time to time, including (without limitation) stock options, DSUs, escrowed shares, restricted shares and restricted share units.

Summary of Compensation

The following table sets out information concerning the compensation earned by, paid to or awarded to the NEOs during the year ended December 31, 2022. Our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Executive Officer of our reinsurance business are employed by Brookfield Corporation and their services are provided to our company pursuant to the Administration Agreement on a cost recovery basis. Our company is not responsible for determining their compensation. The compensation information for our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Executive Officer of our reinsurance business in the following table reflects the total compensation received in respect of all services provided to Brookfield.

The NEOs, other than Mr. McConnie, are paid in Canadian dollars. Mr. McConnie is paid in Barbadian dollars. All Canadian dollar compensation amounts have been converted into U.S. dollars at an exchange rate of C$1.00 = US$0.7688, which was the average exchange rate for 2022 as reported by Bloomberg, unless otherwise noted. All Barbadian dollar compensation amounts have been converted into U.S. dollars at an exchange rate of BBD$1.00 = US$0.50, which was the average exchange rate for 2022 as reported by Bloomberg, unless otherwise noted.

Summary Compensation Table

				Share-based Awards			Options-based Awards			
Name and Principal Position	**Year**	**Annual Base Salary ($)**	**Annual Cash Bonus[(a)] ($)**	**Deferred Share Units (DSUs)[(b)] ($)**	**Restricted Shares ($)**	**Escrowed Shares[(c)] ($)**	**Options[(d)] ($)**	**Pension Value ($)**	**All Other Compensation[(e)] ($)**	**Total Annual Compensation ($)**
Sachin Shah Chief Executive Officer	2022	538,160	538,160	—	—	7,202,475	—	—	31,245	**8,310,040**
Mabel Wong[(f)] Chief Financial Officer	2022	105,340	245,055	—	—	—	—	—	28,353	**378,748**
Bahir Manios[(g)] Chief Investment Officer	2022	480,500	480,500	—	—	—	593,008	—	31,332	**1,585,340**
Thomas Corbett[(g)] Chief Financial Officer	2022	292,144	124,161	124,161	384,400	—	763,222	—	23,707	**1,711,796**
Paul Forestell Chief Operating Officer	2022	384,400	384,400	—	—	—	610,530	—	435,432	**1,814,762**
Gregory McConnie Chief Executive Officer, NER SPC and NER Ltd.	2022	275,000	220,000	—	137,500	—	—	42,015	15,572	**690,087**

(a) Each NEO is awarded an annual incentive which he or she can elect to receive in cash, DSUs or restricted shares. One of the NEOs elected to receive some or all of the annual incentive in DSUs.

(b) Reflects DSUs issued in lieu of a cash bonus, at the election of the individual. DSU awards in this column for 2022 were awarded effective on February 17, 2023. The value in this column reflects the entire value of the incentive awarded converted to U.S. dollars at the exchange rate of C$1.00 = US$0.7688. The number of DSUs was based on a price of US36.3654, the volume-weighted average price of the Brookfield Class A Shares on the NYSE for the five days preceding the award date of February 17, 2023.

(c) The amount for 2022 reflects an annual grant of escrowed shares for Sachin Shah made in February 2023. The value awarded under the escrowed stock plan for annual grants is determined by Brookfield Corporation and considers the stock market price of the Brookfield Class A Shares at the time of the award and the potential increase in value. For awards made in 2023, this is based on a hold period of 7.5 years, a volatility of 28.93%, a risk free rate of 3.97% and a dividend yield of 1.0%. This value for all grants has been discounted by 25% to reflect the five-year vesting.

(d) The amounts for 2022 reflect annual grants of options. The value awarded under the MSOP for annual grants is determined by Brookfield and considers the stock market price of the Brookfield Class A Shares at the time of the award and the potential increase in value. For Thomas Corbett and Paul Forestell, this is based on Brookfield Corporation options with a hold of 7.5 years, a volatility of 28.93%, a risk free rate of 3.97% and a dividend yield of 1.0%. For Bahir Manios and Gregory McConnie, this is based on Brookfield Asset Management options with a hold of 7.5 years, a volatility of 28.66%, a risk free rate of 3.92% and a dividend yield of 4.6%. These values, for the annual grants, have been discounted by 25% to reflect the five-year vesting.

(e) These amounts include annual retirement savings contributions, participation in the executive benefits program and, for Gregory McConnie, costs associated with the provision of a corporate vehicle, and for Paul Forestell, a payment of $528,333 in respect of a special cash retention award for continuing as a key executive of Brookfield Annuity Holdings Inc.

(f) Mabel Wong resigned from her position as Chief Financial Officer of our company on August 11, 2022. Thomas Corbett was appointed Chief Financial Officer of our company on August 11, 2022.

(g) Bahir Manios resigned from his position as Chief Investment Officer of our company on August 11, 2022. Lorenzo Lorilla was appointed Chief Investment Officer of our company on August 11, 2022.

Option Awards and Share-Based Awards at December 31, 2022

The following table shows the Brookfield Corporation options, restricted shares, escrowed shares and DSUs outstanding at December 31, 2022.

	Option Awards Vested and Unvested		Share-Based Awards								
			Restricted Shares			Escrowed Shares			Deferred Share Units (DSUs)		
Name	Number of Securities Underlying Unexercised Options (#)	Market Value of Unexercised in-the-money Options[a,b] ($)	Number of Unvested RSs (#)	Market Value of Unvested RSs[b] ($)	Market Value of Vested RS[b] ($)	Number of Unvested ESs[c] (#)	Market Value of Unvested ESs[b,c] ($)	Market Value of Vested ESs[b,c] ($)	Number of Unvested DSUs (#)	Market Value of Unvested DSUs[b] ($)	Market Value of Vested DSUs[b] ($)
Sachin Shah	0	0	0	0	0	5,142,652	0	0	0	0	8,222,113
Mabel Wong	19,712	76,709	0	0	28,454	0	0	0	0	0	34,558
Bahir Manios	604,024	4,612,077	0	0	0	122,153	0	0	0	0	1,000,844
Thomas Corbett	57,200	115,229	4,347	136,623	54,009	0	0	0	0	0	240,639
Paul Forestell	29,000	0	3,773	118,601	321,236	0	0	0	0	0	0
Gregory McConnie	33,000	413,235	8,727	274,542	0	0	0	0	0	0	0

(a) The market value of the options is the amount by which the closing price of the Brookfield Class A Shares on December 30, 2022 exceeded the exercise price of the options.

(b) All values are calculated using the closing price of a Brookfield Class A Share on December 30, 2022 on the TSX and NYSE, as applicable, according to the currency in which the awards were originally made. The closing price of a Brookfield Class A Share on the TSX on December 30, 2022 was $31.43 (C$42.58 converted to U.S. dollars at the Bloomberg mid-market exchange rate on December 30, 2022 of C$1.00 = US$0.7382) and $31.46 on the NYSE, as applicable.

(c) The value of the escrowed shares is equal to the value of the Brookfield Class A Shares held by the applicable escrow company less the net liabilities and preferred share obligations of such escrow company. In connection with the Special Distribution and prior to completion of the Brookfield Arrangement, the vesting for the majority of Brookfield's escrowed shares that were outstanding were accelerated and exchanged for Brookfield Class A Shares issued from treasury.

The following table shows the Brookfield Asset Management options, restricted shares, escrowed shares and DSUs outstanding at December 31, 2022.

	Option Awards Vested and Unvested		Share-Based Awards								
			Restricted Shares			Escrowed Shares			Deferred Share Units (DSUs)		
Name	Number of Securities Underlying Unexercised Options (#)	Market Value of Unexercised in-the-money Options[a,b] ($)	Number of Unvested RSs (#)	Market Value of Unvested RSs[b] ($)	Market Value of Vested RS[b] ($)	Number of Unvested ESs (#)	Market Value of Unvested ESs[b,c] ($)	Market Value of Vested ESs[b,c] ($)	Number of Unvested DSUs (#)	Market Value of Unvested DSUs[b] ($)	Market Value of Vested DSUs[b] ($)
Sachin Shah	0	0	0	0	0	1,285,660	0	0	0	0	1,865,066
Mabel Wong	4,926	19,497	0	0	6,477	0	0	0	0	0	7,838
Bahir Manios	151,003	1,133,140	0	0	0	30,538	0	0	0	0	227,011
Thomas Corbett	14,298	30,723	1,087	31,100	12,294	0	0	0	0	0	54,582
Paul Forestell	7,249	0	939	26,877	72,797	0	0	0	0	0	0
Gregory McConnie	8,249	98,313	2,182	62,549	0	0	0	0	0	0	0

(a) The market value of the options is the amount by which the closing price of the Brookfield Asset Management Ltd. Class A Shares on December 30, 2022 exceeded the exercise price of the options.

(b) All values are calculated using the closing price of a Brookfield Asset Management Class A Share on December 30, 2022 on the TSX and NYSE, as applicable, according to the currency in which the awards were originally made. The closing price of a Brookfield Asset Management Class A Share on the TSX on December 30, 2022 was $28.62 (C$38.77 converted to U.S. dollars at the Bloomberg mid-market exchange rate on December 30, 2022 of C$1.00 = US$0.7382) and $28.67 on the NYSE, as applicable.

(c) The value of the escrowed shares is equal to the value of the Brookfield Asset Management Class A Shares held by the applicable escrow company less the net liabilities and preferred share obligations of the escrow company. In connection with the Special Distribution, and prior to completion of the Brookfield Arrangement, the vesting for the majority of the Brookfield's escrowed shares that were outstanding were accelerated and exchanged for Brookfield Class A Shares issued from treasury.

Outstanding Option Awards at December 31, 2022

The following table shows the details of each Brookfield Corporation option outstanding at December 31, 2022.

	Option-based Awards			
Name	Number of securities underlying unexercised options (#)	Options exercise price ($)	Options expiration date	Market value of unexercised options[(a)] ($)
Mabel Wong	4,350	22.05	25-Feb-2028	40,934
	4,890	24.14	25-Feb-2029	35,776
	3,532	31.64	13-Dec-2029	0
	4,120	35.56	21-Feb-2031	0
	2,753	46.62	17-Feb-2032	0
	67	46.62	17-Feb-2032	0
Bahir Manios	9,300	18.43	22-Nov-2025	121,223
	2,400	16.70	22-Feb-2026	35,429
	72,750	20.14	16-Feb-2027	823,872
	67,425	20.14	16-Feb-2027	763,568
	69,000	22.05	25-Feb-2028	649,290
	303,262	24.14	25-Feb-2029	2,218,695
	17,662	31.64	13-Dec-2029	0
	16,675	35.56	21-Feb-2031	0
	13,765	46.62	17-Feb-2032	0
	31,785	46.62	17-Feb-2032	0
Thomas Corbett	15,750	24.14	25-Feb-2029	115,229
	11,400	31.64	13-Dec-2029	0
	2,250	37.03	24-Feb-2030	0
	14,550	35.56	21-Feb-2031	0
	13,250	46.62	17-Feb-2032	0
Paul Forestell	13,765	46.62	17-Feb-2032	0
	15,235	46.62	17-Feb-2032	0
Gregory McConnie	11,250	19.83	23-Feb-2025	130,830
	10,500	16.70	22-Feb-2026	155,002
	11,250	20.14	16-Feb-2027	127,403

Notes:

(a) The market value of the options is the amount by which the closing price of the Brookfield Class A Shares on December 30, 2020 exceeded the exercise price of the options. All values are calculated using the closing price of a Brookfield Class A Share on December 30, 2022 on the TSX and on the NYSE, as applicable. The closing price of a Brookfield Class A Share on the TSX on December 30, 2022 was $31.43 (C$42.58 converted to U.S. dollars at the Bloomberg mid-market exchange rate on December 30, 2022 of C$1.00 = US$0.7382) and $31.46 on the NYSE, as applicable.

The following table shows the details of each Brookfield Asset Management option outstanding at December 31, 2022.

	Option-based Awards			
Name	**Number of securities underlying unexercised options (#)**	**Options exercise price ($)**	**Options expiration date**	**Market value of unexercised options[(a)] ($)**
Mabel Wong	1,087	19.50	25-Feb-2028	9,962
	1,222	21.36	25-Feb-2029	8,936
	883	27.99	13-Dec-2029	599
	1,030	31.46	21-Feb-2031	0
	688	41.24	17-Feb-2032	0
	16	41.24	17-Feb-2032	0
Bahir Manios	2,325	16.30	22-Nov-2025	28,764
	600	14.77	22-Feb-2026	8,340
	18,187	17.81	16-Feb-2027	197,489
	16,856	17.81	16-Feb-2027	183,036
	17,250	19.50	25-Feb-2028	158,098
	75,815	21.36	25-Feb-2029	554,420
	4,415	27.99	13-Dec-2029	2,994
	4,168	31.46	21-Feb-2031	0
	3,441	41.24	17-Feb-2032	0
	7,946	41.24	17-Feb-2032	0
Thomas Corbett	3,937	21.36	25-Feb-2029	28,790
	2,850	27.99	13-Dec-2029	1,933
	562	32.75	24-Feb-2030	0
	3,637	31.46	21-Feb-2031	0
	3,312	41.24	17-Feb-2032	0
Paul Forestell	3,441	41.24	17-Feb-2032	0
	3,808	41.24	17-Feb-2032	0
Gregory McConnie	2,812	17.54	23-Feb-2025	31,292
	2,625	14.77	22-Feb-2026	36,486
	2,812	17.81	16-Feb-2027	30,535

Notes:

(a) The market value of the options is the amount by which the closing price of the Brookfield Asset Management Class A Shares on December 30, 2020 exceeded the exercise price of the options. All values are calculated using the closing price of a Brookfield Asset Management Class A Share on December 30, 2022 on the TSX and on the NYSE, as applicable. The closing price of a Brookfield Asset Management Class A Share on the TSX on December 30, 2022 was $28.62 (C$38.77 converted to U.S. dollars at the Bloomberg mid-market exchange rate on December 30, 2022 of C$1.00 = US$0.7382) and $28.67 on the NYSE, as applicable.

Value Vested or Earned During 2022

The following table shows the value of all options, share-based awards, and non-equity plan compensation which vested during 2022.

	Value Vested During 2022[(a)]				
Named Executive Officer	**Options[(b)] ($)**	**DSUs[(c)] ($)**	**Restricted Shares[(d)] ($)**	**Escrowed Shares ($)**	**Non-equity incentive plan compensation – Value earned during the year**
Sachin Shah	0	107,899	0	40,450,380	538,160
Mabel Wong	460,438	454	8,250	0	245,055
Bahir Manios	7,036,121	13,136	0	1,206,570	480,500
Tom Corbett	351,071	320,210	88,859	0	124,161
Paul Forestell	0	0	100,989	0	384,400
Gregory McConnie	144,982	0	146,093	0	220,000

(a) All values are calculated using the closing price of a Brookfield Class A Share on the vesting date on the TSX and on the NYSE, as applicable. Canadian dollar amounts are converted into U.S. dollars using the average Bloomberg mid-market exchange rate for 2022 of C$1.00 = US$0.7688. The value of the escrowed shares is equal to the value of the Brookfield Class A Shares held by the escrow company less the net liabilities and preferred share obligations of the escrow company.

(b) Values represent the amount by which the value of Brookfield Class A Shares exceeded the exercise price on the day the options vested.

(c) Values in this column represent the value of Brookfield DSUs vested in 2022, including DSUs awarded on February 18, 2022 in lieu of the cash bonus related to performance in 2021.

(d) Values in this column represent the value of restricted shares vested in 2022, including restricted shares awarded in lieu of the cash bonus related to performance in 2021.

Pension and Retirement Benefits

With the exception of Mr. McConnie, our NEOs do not participate in any registered defined benefit or defined contribution plans or any other post-retirement supplementary compensation plans. The NEOs based in Canada receive an annual contribution to their registered retirement savings plans equal to 6% of their base salary, subject to an annual RRSP contribution limit established by the CRA.

Mr. McConnie participates in a defined contribution pension plan sponsored by Brookfield International Bank Inc. The employer contribution for Mr. McConnie under the plan is equal to 15% of his annual base salary. Mr. McConnie's pension entitlement under the plan is fully vested as he has over 36 months of continuous service with Brookfield. Membership in the plan terminates upon cessation of employment. The retirement age under the plan is 65 years.

The following table sets forth details regarding Mr. McConnie's participation in the defined contribution pension plan in respect of 2022.

Name	Accumulated value at start of year	Compensatory	Accumulated value at year end
Gregory McConnie	$715,928	$42,015	$723,373

Termination and Change of Control Benefits

With the exception of Mr. McConnie, there are no employment contracts between the NEOs and our company or Brookfield Corporation. With the exception of Mr. McConnie, none of the NEOs have any termination, change of control arrangement or other compensatory plan, contract or arrangement with our company or Brookfield Corporation.

Pursuant to his employment agreement, in the event that Mr. McConnie's employment is terminated by his employer, he is eligible to receive a severance payment as determined under the Severance Payments Act of Barbados (Chapter 355A), plus a one-time payment in the amount of BBD$300,000 (equivalent to US$150,000 at an exchange rate of BBD$1.00 = US$0.50).

The following table provides a summary of the termination provisions in Brookfield Corporation's long-term incentive plans. No incremental entitlements are triggered by termination, resignation, retirement or a change in control. Any exceptions to these provisions are approved on an individual basis at the time of cessation of employment. Exceptions are approved by the chair of Brookfield Corporation's compensation committee or its board of directors, depending on the circumstances.

Termination Event	**DSUs**	**Options**	**Restricted Shares / Escrowed Shares**
Retirement (as determined at the discretion of Brookfield Corporation's board of directors)	Vested units are redeemable on the day employment terminates. Unvested units are forfeited.	Vesting ceases on retirement. Vested options are exercisable until their expiration date. Unvested options are cancelled.	Vested shares are redeemable on the day employment terminates, subject to the hold period. Unvested shares are forfeited.
Termination Without Cause	Vested units are redeemable on the day employment terminates. Unvested units are forfeited.	Upon date of termination, unvested options are cancelled and vested options continue to be exercisable for 60 days (a) from the termination date, after which unexercised options are cancelled immediately.	Vested shares are redeemable on the day employment terminates, subject to the hold period. Unvested shares are forfeited.
Termination With Cause	Upon date of termination, all unvested and vested units are forfeited, with the exception of DSUs awarded as a result of a participant's election to take their annual bonus in the form of DSUs.	Upon date of termination, all vested and unvested options are cancelled.	Upon date of termination, all vested and unvested shares are forfeited.
Resignation	Vested units are redeemable on the day employment terminates. Unvested units are forfeited.	Upon date of termination, all vested and unvested options are cancelled.	Vested shares are redeemable on the day employment terminates, and remain subject to the hold period. Unvested shares are forfeited.
Death	Vested units are redeemable on the date of death. Unvested units are forfeited.	Options continue to vest and are exercisable for six months following date of death[a] after which all unexercised options are cancelled immediately.	Vested shares are redeemable on the date of death, and remain subject to the hold period. Unvested shares are forfeited.

(a) Up to but not beyond the expiry date of options.

6.C BOARD PRACTICES

Board Structure, Practices and Committees

The structure, practices and committees of our board, including matters relating to the size, independence and composition of our board, the election and removal of directors, requirements relating to board action and the powers delegated to board committees are governed by our memorandum of association, bye-laws and policies adopted by our board. Our board is responsible for exercising the management, control, power and authority of our company except as required by applicable law, the memorandum of association or the bye-laws. The following is a summary of certain provisions of the memorandum of association, bye-laws and policies that affect our company's governance.

Meetings of the Board

Our board meets at least four times each year, with additional meetings held to consider specific items of business or as deemed necessary. Meeting frequency and agenda items may change depending on the opportunities or risks faced by our company. Our board is responsible for its agenda. At all quarterly meetings, the independent directors meet without the presence of management and the directors that are not independent.

Size, Independence and Composition of Our Board

The size of our board currently is set at a minimum of four (4) members and a maximum of sixteen (16) members or such number in excess thereof as the shareholders may determine, with (i) at least two directors being local residents of Bermuda, (ii) no more than three directors being resident in any one other country (aside from Bermuda), (iii) no more than two directors elected by holders of class A exchangeable shares being resident in any one other country (aside from Bermuda) and (iv) no more than two directors elected by holders of class B shares being resident in any one other country (aside from Bermuda), provided that the board may, at its discretion, increase or decrease the residency requirements.

In addition, our bye-laws provide that no directors or employees of Brookfield Corporation shall serve as a director of our company elected by holders of class A exchangeable shares. At least a majority of the directors holding office must be independent of our company and Brookfield, as determined by the full board using the standards for independence established by the NYSE.

If the death, resignation or removal of an independent director results in our board consisting of less than a majority of independent directors, the vacancy must be filled promptly. Pending the filling of such vacancy, our board may temporarily consist of less than a majority of independent directors and those directors who do not meet the standards for independence may continue to hold office.

Election and Removal of Directors

In the election of directors, holders of class A exchangeable shares are entitled to elect one-half of the board of directors of our company. The Class B Partners, who collectively hold all of the class B shares, are entitled to elect the other one-half of the board of directors of our company. Consistent with Brookfield Corporation, our bye-laws provide for cumulative voting. Accordingly, our bye-laws provide that each holder of shares of a class or series of shares of our company entitled to vote in an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by the holder multiplied by the number of directors to be elected by the holder and the holders of shares of the classes or series of shares entitled to vote with the holder in the election of directors. A holder may cast all such votes in favor of one candidate or distribute such votes among its candidates in any manner the holder sees fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

Each of our current directors will serve until the close of the next annual meeting of shareholders of our company or his or her death, resignation or removal from office, whichever occurs first. Our bye-laws provide that any director may be removed as follows: (a) with respect to the directors elected by holders of the class A exchangeable shares, an affirmative vote of holders of class A exchangeable shares holding a majority of the issued and outstanding class A exchangeable shares entitled to vote at a special general meeting convened and properly held or conferring the right to vote on a resolution to remove a director; and (b) with respect to the directors elected by the holders of the class B shares, an affirmative vote of class B shareholders holding a majority of the issued and outstanding class B shares entitled to vote at a special general meeting convened and properly held or conferring the right to vote on a resolution to remove a director; provided, that the notice of any such meeting convened for the purpose of removing a director must contain a statement of the intention to remove the director and be served on the director not less than 14 days before the meeting, and that the director shall be entitled to be heard at the meeting on the motion for his or her removal. A director will be automatically removed from our board if he or she becomes bankrupt, insolvent or suspends payments to his or her creditors or becomes prohibited by law from acting as a director.

Majority Voting Policy

Our board has adopted a majority voting policy stipulating that, if the total number of shares voted in favor of the election of a director nominee represents less than a majority of the total shares voted and withheld for that director, the nominee will tender his or her resignation immediately after the meeting. Within 90 days of the meeting, our board will determine whether or not to accept a director's resignation and will issue a press release announcing our board of director's decision, a copy of which will be provided to the TSX. Absent exceptional circumstances, our board will accept the resignation. The resignation will be effective when accepted by our board. If our board determines not to accept a resignation, the press release will fully state the reasons for that decision. A director who tenders his or her resignation will not participate in a meeting of our board at which the resignation is considered. The majority voting policy does not apply in circumstances involving contested director elections.

Mandate of the Board

Our board oversees the management of our company's business and affairs directly and through three standing committees: the Audit Committee, Governance and Nominating Committee and Compensation Committee (collectively, the "**Committees**"). The responsibilities of our board and each Committee, respectively, are set out in written charters, which are reviewed and approved annually by our board.

Our board is responsible for:

- overseeing our company's long-term strategic planning process and reviewing and approving its annual business plan;
- overseeing management's approach to managing the impact of key risks facing our company;
- safeguarding shareholders' equity interests through the optimum utilization of our company's capital resources;
- promoting effective corporate governance;
- overseeing our company's environmental, social and governance program and related practices;
- reviewing major strategic initiatives to determine whether management's proposed actions accord with long-term corporate goals and shareholder objectives;
- assessing management's performance against approved business plans;

- approving any change in the identity of the Chief Executive Officer or Chief Investment Officer under the terms of the Administration Agreement and overseeing the Chief Executive Officer's selection of other members of senior management and reviewing succession planning; and
- reviewing and approving the reports issued to shareholders, including annual and interim financial statements.

Term Limits and Board Renewal

The Governance and Nominating Committee leads the effort to identify and recruit candidates to join our board. In this context, the Governance and Nominating Committee's view is that our board should reflect a balance between the experience that comes with longevity of service on our board and the need for renewal and fresh perspectives.

The Governance and Nominating Committee does not support a mandatory retirement age, director term limits or other mandatory board of directors turnover mechanisms because its view is that such policies are overly prescriptive; therefore, our company does not have term limits or other mechanisms that compel board of directors turnover. The Governance and Nominating Committee does believe that periodically adding new voices to our board can help our company adapt to a changing business environment and board of directors renewal is a priority.

The Governance and Nominating Committee reviews the composition of our board on a regular basis in relation to approved director criteria and skill requirements and recommends changes as appropriate to renew our board.

Transactions in which a Director has an Interest

A director who directly or indirectly has an interest in a contract, transaction or arrangement with our company or certain of our affiliates is required to disclose the nature of his or her interest to the full board. Such disclosure may take the form of a general notice given to our board to the effect that the director has an interest in a specified company or firm and is to be regarded as interested in any contract, transaction or arrangement which may after the date of the notice be made with that company or firm or its affiliates. A director may participate in any meeting called to discuss or any vote called to approve the transaction in which the director has an interest and any transaction approved by our board will not be void or voidable solely because the director was present at or participates in the meeting in which the approval was given provided that our board or a board committee authorizes the transaction in good faith after the director's interest has been disclosed or the transaction is fair to our company at the time it is approved.

Board Diversity Policy

Our company is committed to enhancing the diversity of our board. Our company's view is that our board should reflect a diversity of backgrounds relevant to its strategic priorities. This includes such factors as diversity of business expertise and international experience, in addition to geographic and gender diversity.

To achieve our board of director's diversity goals, our company has adopted the following written policy:

- Board of directors appointments will be based on merit, having due regard for the benefits of diversity on our board, so that each nominee possesses the necessary skills, knowledge and experience to serve effectively as a director; and
- In the director identification and selection process, diversity on our board, including the level of representation of women on our board, will influence succession planning and be a key criterion in identifying and nominating new candidates for election to our board.

The diversity policy does not set any formal targets on diversity for directors at this time, because of the current need for geographic diversity of directors and the emphasis on subject matter expertise. The Governance and Nominating Committee is responsible for implementing our board diversity policy, monitoring progress towards the achievement of its objectives and recommending to our board any necessary changes that should be made to the policy.

Our company does not have a target for the representation of women in executive officer positions because such targets do not accurately reflect the full range of factors considered in hiring or promoting executive officers.

Director Share Ownership Requirements

We believe that directors can better represent shareholders if they have economic exposure to our company themselves. We expect that directors of our company hold sufficient number of our class A exchangeable shares and/or Brookfield Class A Shares such that the acquisition costs of our class A exchangeable shares or Brookfield Class A Shares held by such directors is equal to at least two times their aggregate annual retainer for serving as a director of our company, as determined by our board from time to time. Directors of our company are required to meet this requirement within five (5) years of their date of appointment.

Director Orientation and Education

New directors of our company are provided with comprehensive information about our company and our operating subsidiaries. Arrangements are made for specific briefing sessions from appropriate senior personnel to help new directors better understand our strategies and operations. They also participate in the continuing education measures discussed below.

Our board receives annual operating plans for our business and more detailed presentations on particular strategies. Existing directors are invited to join the orientation sessions for new directors as a refresher. The directors have the opportunity to meet and participate in work sessions with management to obtain insight into the operations of our company and our operating subsidiaries. Directors are regularly briefed to help better understand industry-related issues such as accounting rule changes, transaction activity, capital markets initiatives, significant regulatory developments, as well as trends in corporate governance.

Committees of the Board

The three standing Committees of our board assist in the effective functioning of our board and help ensure that the views of independent directors are effectively represented:

- Audit Committee;
- Governance and Nominating Committee; and
- Compensation Committee.

The responsibilities of these Committees are set out in written charters, which are reviewed and approved annually by our board. It is our board of director’s policy that all Committees must consist entirely of independent directors. Special committees may be formed from time to time to review particular matters or transactions. While our board retains overall responsibility for corporate governance matters, each standing Committee has specific responsibilities for certain aspects of corporate governance in addition to its other responsibilities, as described below.

Audit Committee

The Audit Committee is responsible for monitoring our company's systems and procedures for financial reporting and associated internal controls, and the performance of our company's external and internal auditors. It is responsible for reviewing certain public disclosure documents before their approval by our full board of directors and release to the public, such as our company's quarterly and annual financial statements and management's discussion and analysis. The Audit Committee is also responsible for recommending the independent registered public accounting firm to be nominated for appointment as the external auditor, and for approving the assignment of any non-audit work to be performed by the external auditor, subject to the Audit Committee's Audit Policy. The Audit Committee meets regularly in private session with our company's external auditor and internal auditors, without management present, to discuss and review specific issues as appropriate. In addition to being independent directors as described above, all members of the Audit Committee must meet an additional "independence" test under Canadian and U.S. securities laws, in that their directors' fees must be and are the only compensation they receive, directly or indirectly, from our company. Further, the Audit Committee requires that all its members disclose any form of association with a present or former internal or external auditor of our company to our board for a determination as to whether this association affects the independent status of the director.

Governance and Nominating Committee

It is the responsibility of the Governance and Nominating Committee, in consultation with the Chair, to assess from time to time the size and composition of our board and its Committees; to review the effectiveness of our board operations and its relations with management; to assess the performance of our board, its Committees and individual directors; to review our company's statement of corporate governance practices and to review and recommend the directors' compensation. Our board has implemented a formal procedure for evaluating the performance of our board, its Committees and individual directors — the Governance and Nominating Committee reviews the performance of our board, its Committees and the contribution of individual directors on an annual basis.

The Governance and Nominating Committee is responsible for reviewing the credentials of proposed nominees for election or appointment to our board and for recommending candidates for membership on our board, including the candidates proposed to be nominated for election to our board at the annual meeting of shareholders. To do this, the Governance and Nominating Committee maintains an "evergreen" list of candidates to ensure outstanding candidates with needed skills can be quickly identified to fill planned or unplanned vacancies. Candidates are assessed in relation to the criteria established by our board to ensure that our board has the appropriate mix of talent, quality, skills, diversity, perspectives and other requirements necessary to promote sound governance and the effectiveness of our board. The Governance and Nominating Committee is responsible for overseeing our company's approach to ESG matters, which includes a review of our company's current and proposed ESG initiatives and any material disclosures regarding ESG matters.

Compensation Committee

The Compensation Committee is responsible for reviewing and reporting to our board on management resource matters, including ensuring a diverse pool for succession planning, the job descriptions and annual objectives of senior executives, the form of executive compensation in general including an assessment of the risks associated with the compensation plans and the levels of compensation of the senior executives, other than the Chief Executive Officer and Chief Investment Officer whose services are provided by Brookfield at our request under the Administration Agreement and for whom our company pays a pro rata share of their annual cash compensation. The Compensation Committee also reviews the performance of senior management against written objectives and reports thereon. In addition, the Compensation Committee is responsible for reviewing any allegations of workplace misconduct claims that are brought to the Committee's attention through our company's ethics hotline, a referral from our company's human resources department.

All members of the Compensation Committee meet the standard director independence test in that they have no relationship which could, in the view of our board, be reasonably expected to interfere with the exercise of their independent judgment.

Our board has also adopted a heightened test of independence for all members of the Compensation Committee, which entails that our board has determined that no Compensation Committee member has a relationship with senior management that would impair the member's ability to make independent judgments about our company's executive compensation. This additional independence test complies with the test in the listing standards of the NYSE. Additionally, the Compensation Committee evaluates the independence of any advisor it retains in order to comply with the aforementioned NYSE listing standards.

In reviewing our company's compensation policies and practices each year, the Compensation Committee seeks to ensure the executive compensation program provides an appropriate balance of risk and reward consistent with the risk profile of our company. The Compensation Committee also seeks to ensure our company's compensation practices do not encourage excessive risk-taking behavior by the senior management team.

The participation in long-term incentive plans is intended to discourage executives from taking excessive risks in order to achieve short-term unsustainable performance.

Board, Committee and Director Evaluation

Our board believes that a regular and formal process of evaluation improves the performance of our board as a whole, the Committees and individual directors. A survey is sent annually to independent directors inviting comments and suggestions on areas for improving the effectiveness of our board and its Committees. The results of this survey is reviewed by the Governance and Nominating Committee, which makes recommendations to our board as required. Each independent director also receives a self-assessment questionnaire and all directors are required to complete a skill-set evaluation which is used by the Governance and Nominating Committee for planning purposes. The Chair also holds private interviews with each non-management director annually to discuss the operations of our board and its Committees, and to provide any feedback on the individual director's contributions.

Position Descriptions

The board of directors has adopted a written position description for the Chair, which sets out the Chair's key responsibilities, including, as applicable, duties relating to setting board of directors meeting agendas, chairing board of directors and shareholder meetings and communicating with shareholders and regulators. The board of directors has also adopted a written position description for each of the Committee chairs which sets out each of the Committee chair's key responsibilities, including duties relating to setting Committee meeting agendas, chairing Committee meetings and working with the Committee and management to ensure, to the greatest extent possible, the effective functioning of the Committee.

The board of directors has also adopted a written position description for the Chief Executive Officer which sets out the key responsibilities of the Chief Executive Officer. The primary functions of the Chief Executive Officer is to lead management of the business and affairs of our company, to lead the implementation of the resolutions and the policies of the board of directors, to supervise day to day management and to communicate with shareholders and regulators.

Personal Trading Policy

Each of the company's and Brookfield Corporation's directors, officers and employees are subject to our personal trading policy and/or Brookfield Corporation's personal trading policy, as applicable.

All of our company's directors, officers and employees are subject to our personal trading policy, which prohibit trading in the securities of our company or Brookfield Corporation while in possession of material undisclosed information about our company or Brookfield Corporation. Those individuals are also prohibited from entering into certain types of hedging transactions involving the securities of our company, such as short sales, prepaid variable forward contracts, equity swaps and put options. In addition, our personal trading policy prohibits trading in our company's securities during prescribed blackout periods. We also require all executives and directors to pre-clear trades in our company's securities.

Code of Business Conduct and Ethics

Our company's policy is that all its activities be conducted with the utmost honesty, integrity, fairness and respect and in compliance with all legal and regulatory requirements. To that end, our company maintains a Code of Business Conduct and Ethics, a copy of which is available on our website at https://bnre.brookfield.com and has been filed on our SEDAR profile at www.sedar.com and EDGAR profile at www.sec.gov. The Code of Business Conduct and Ethics sets out the guidelines and principles for how directors and employees should conduct themselves as members of our team. Preserving our corporate culture is vital to the organization and following the Code of Business Conduct and Ethics will help us do that.

All directors, officers and employees of our company are required to provide a written acknowledgment upon joining our company that they are familiar with and will comply with the Code of Business Conduct and Ethics. All directors, officers and employees of our company are required to provide this same acknowledgment annually. Our board reviews the Code of Business Conduct and Ethics annually to consider whether to approve changes in our company's standards and practices.

6.D EMPLOYEES

We have over 3,500 full time employees located in Canada, the U.S., United Kingdom, Cayman Islands, and Bermuda. These employees are responsible for the execution of all material aspects of the business including management, underwriting, oversight and decision-making responsibilities.

We receive the services of our company's Chief Executive Officer, Chief Financial Officer and Chief Investment Officer, as well as certain administrative and other support services under the terms of the Administration Agreement. Such services may include assisting our Chief Executive Officer and Chief Financial Officer with the standard functions of a public company, such as financial reporting, investor relations, human resources, information technology, compliance, shareholder correspondence, and ongoing disclosure obligations. The services provided to us by Brookfield under the Administration Agreement will be provided on a cost-recovery basis. See Item 10.C "Material Contracts — The Administration Agreement". We may also outsource some of our administrative services to third parties, in each case on market terms.

Our registered office is located in Pembroke, Bermuda. The registered office of BAC is in Toronto, Ontario. The registered offices of NER SPC, NER Ltd. are located in George Town, Grand Cayman and Pembroke, Bermuda, respectively. The registered office of American National is in Galveston, Texas.

6.E SHARE OWNERSHIP

As of the date of this Form 20-F, the directors and officers of our company, and their respective associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, less than one percent of the outstanding class A exchangeable shares. The following table shows the number of class A exchangeable shares held by each of the directors and officers of our company as of the date of this Form 20-F:

Name	Title	Number of class A exchangeable shares	Percentage of total class A exchangeable shares
Barry Blattman	Director	28,982	*
Soonyoung Chang	Director	—	—
William Cox	Director	3,465	*
Gregory Morrison	Director	—	—
Lars Rodert	Director	7,000	—
Anne Schaumburg	Director	450	*
Jay Wintrob	Director	—	—
Sachin Shah	Director and Chief Executive Officer	73,414	*
Thomas Corbett	Chief Financial Officer	140	*
Lorenzo Lorilla	Chief Investment Officer	—	*
Gregory McConnie	Chief Executive Officer, NER SPC and NER Ltd.	30	*
Paul Forestell	Chief Operating Officer	—	—

* Represents less than 1% of the applicable total.

6.F DISCLOSURE OF A REGISTRANT'S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

The table below presents information as of the date of this Form 20-F regarding the beneficial ownership of our voting securities shares by each person or entity that beneficially owns 5% or more of our class A exchangeable shares and class B shares. Our class A exchangeable shares held by the principal shareholders listed below do not entitle such shareholders to different voting rights than those of other holders of our class A exchangeable shares.

Name	Class A Exchangeable Shares Beneficially Owned (1)(2)		Class B Shares Beneficially Owned(1)	
	Number	Percentage	Number	Percentage
Bruce Flatt	1,065,378	10.19%	—	—%
BAM Re Partners Trust(3)	—	—%	24,000	100%
Partners Value Investments Inc. (4)	915,000	8.76%	—	—%
CI Investments Inc.(5)	552,786	5.29%	—	—%

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Our exchangeable shares relating to securities currently exercisable or exercisable within sixty (60) days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person.

(2) The percentages shown are based on approximately 10,450,952 class A exchangeable shares outstanding as of the date of this Form 20-F.

(3) The Class B Partners, collectively, beneficially own all of our class B shares. The Class B Partners are entitled to elect half of our board and approve all other matters requiring shareholder approval. See Item 10.B "Memorandum and Bye-Laws – Class B Shares – Election of Directors". The class B shares are held by the Class B Partners through a voting trust, which we refer to as the BNRE Partnership. The beneficial interests in the BNRE Partnership, and the voting interests in its trustee are held by entities which are owned by the Class B Partners, long-standing Partners who span generations in order to foster the long-term nature of the BNRE Partnership, as follows: (i) Bruce Flatt (48%), (ii) Brian Kingston (19%), and (iii) Sachin Shah, Anuj Ranjan, Connor Teskey, Cyrus Madon and Sam Pollock (33% in equal parts). The trustee votes the class B shares with no single individual or entity controlling the BNRE Partnership. In the event of a fundamental disagreement among the shareholders of the trustee (and until the disagreement is resolved), three individuals have been granted (subject to receipt of all applicable regulatory approvals) the authority to govern and direct the actions of the trustee until the disagreement is resolved. These individuals, none of whom are Partners, are Marcel R. Coutu, Frank J. McKenna and Lord Gus O'Donnell. These individuals are, and their successors are required to be, longstanding and respected business colleagues associated with our company and the BNRE Partnership.

(4) As reported in Partners Value Investments Inc.'s Form SC 13D filed on our EDGAR profile at www.sec.gov on March 13, 2023.

(5) As reported in CI Investments Inc.'s Form SC 13G filed on our EDGAR profile at www.sec.gov on February 14, 2023.

To the knowledge of the directors and officers of the company, there are no other persons or corporations that beneficially own, exercise control or direction over, have contractual arrangements such as options to acquire, or otherwise hold voting securities of the company carrying more than 5% of the votes attached to any class of outstanding voting securities of our company.

As of March 22, 2023, 6,317 out of our 10,450,952 outstanding class A exchangeable shares were held by 639 holders of record in the United States, not including class A exchangeable shares held of record by DTC. As of March 22, 2023, DTC was the holder of record of 3,501,819 class A exchangeable shares.

7.B RELATED PARTY TRANSACTIONS

Our exchangeable shares have been structured with the intention of providing an economic return equivalent to the Brookfield Class A Shares. Therefore, we expect that the market price of our exchangeable shares should be impacted by the market price of the Brookfield Class A Shares and the business performance of Brookfield Corporation (including as a result of its investment in the Asset Management Company). Brookfield Corporation is the sole holder all of our class C shares, which entitle Brookfield Corporation to all of the residual value in our company after payment in full of the amount due to holders of exchangeable shares and class B shares (consisting of any declared and unpaid distributions, and the delivery of Brookfield Class A Shares or the cash equivalent on a redemption or liquidation) and subject to the prior rights of holders of Preferred Shares. We believe this residual economic interest, together with the mechanisms to create economic equivalence between the exchangeable shares and Brookfield Class A Shares, creates alignment between the interests of Brookfield Corporation and our shareholders since an investment in our exchangeable shares provides investors with the same economic exposure to the broader business of Brookfield Corporation as an investment in the Brookfield Class A Shares.

As a result of the exchanges of our exchangeable shares that occur from time to time, Brookfield Corporation may own certain of our exchangeable shares. Brookfield Corporation currently owns less than 5% of the class A exchangeable shares**.** In its capacity as the holder of the class C shares, any exchangeable shares that are owned by Brookfield Corporation from time to time are convertible are at its option into additional class C shares. Brookfield Corporation will be entitled to cast one vote for each class A exchangeable share to the extent held on the record date for voting at a meeting of shareholders of the company, consistent with the rights of other holders of the class A exchangeable shares.

Brookfield Corporation holds all of the class C shares, which entitle it to all of the residual value in our company after payment in full of the amount due to holders of class A exchangeable shares, class A-1 exchangeable shares and class B shares (consisting of any declared and unpaid distributions, and the delivery of Brookfield Class A Shares or the cash equivalent on a redemption or liquidation) and subject to the prior rights of holders of Preferred Shares, if any. Brookfield Corporation will, however, have a consent right over certain matters regarding our company and the right to commence a liquidation of our company upon the occurrence of certain events. See Item 10.B "Memorandum and Bye-Laws — Rights Agreement" for a further description of the Rights Agreement and Item 10.B "Memorandum and Bye-Laws — Class C Shares — Conversion of Tendered Class A Exchangeable Shares".

For a description of certain related party transactions, please see Note 17 "Related Party Transactions" in the notes to the consolidated financial statements.

Conflicts of Interest

We rely on Brookfield for both operational and financial support. For example, as described above, we rely on Brookfield to provide our Chief Executive Officer, Chief Financial Officer and Chief Investment Officer and to provide additional operational and financial support pursuant to the Support Agreement, Credit Agreement and Equity Commitment, as applicable. We are also an advisory client under the Investment Management Agreements with the Asset Management Company in which Brookfield Corporation holds a 75% interest. Under these arrangements, the Asset Management Company has discretion over how certain investments are made, and we cannot be assured as to how the Asset Management Company will manage our investments.

Brookfield is a global alternative asset manager with significant assets under management and a long history of owning, managing and operating assets, businesses and investment vehicles across various industries, sectors, geographies and strategies. Brookfield's activities include, among others: (i) investment and asset management; (ii) managing and investing reinsurance capital; (iii) sponsoring, offering and managing private and public investment vehicles that invest in the global fixed income, currency, commodity, equities, private equity and other markets; and (iv) developing, constructing, owning, managing, operating and servicing real estate, renewable power, infrastructure and other companies and assets, including among others residential, commercial, storage and mixed-use real estate, data centers, transportation facilities, electric utilities, industrial and manufacturing facilities, energy companies, metals and mining companies, timberlands and agrilands, natural gas pipelines, and other assets; providing capital and financing solutions, as well as financial advisory, business development and other financial services; and other activities.

Our overall objective of leveraging Brookfield's experience, expertise, broad reach, relationships and position in the markets for, among other things, investments opportunities and deal flow, will result in us, among other things, investing in or alongside Brookfield Accounts, as well as in acquisition financing and other loans to, leases and leaseback transactions and insurance contracts and debt and equity securities issued by, Brookfield Accounts, including those in which Brookfield has an economic interest, and "warehousing" certain investments on behalf of Brookfield Accounts in which Brookfield expects to invest. The Asset Management Company's management of its broader business, including the activities of and other considerations relating to Brookfield Accounts, give rise to conflicts of interest relating to (i) the allocation of investment opportunities and expenses between our company, on the one hand, and other Brookfield Accounts, on the other hand, (ii) affiliate and related party transactions between Brookfield and Brookfield Accounts, (iii) investments by our company and other Brookfield accounts in different parts of a company's or asset's capital structure, (iv) the management of potentially adverse situations between our company and other Brookfield Accounts, and (v) Brookfield's economic interest in Brookfield Accounts and these activities (including via compensation arrangements) and related considerations.

As a result of the Brookfield Arrangement, which resulted in Brookfield Corporation holding a 75% interest in the Asset Management Company, the Asset Management Company is not fully economically aligned with our company in managing assets for us under the Investment Management Agreements. Moreover, as a result of our organizational and ownership structure (in particular the structure of the exchangeable shares described under Item 4.C “Organizational Structure” above) and our broader operational and financial agreements with Brookfield, the scope of our advisory relationship with Brookfield is different than its advisory relationship with other Brookfield Accounts, including with respect to the scope of its fiduciary duties to us, and there will be different risks applicable to us compared to other Brookfield Accounts. While Brookfield will act in our best interest in accordance with the terms of the Investment Management Agreements and consistent with our overall investment mandate and objectives (taking into account, among others, our obligations to insurance companies and pursuing an investment portfolio that is suitable for our company from a risk-return perspective), Brookfield expects to manage our investment accounts similar to the manner in which it manages itself and its wholly-owned subsidiaries, particularly in connection with investments that give rise to conflicts of interest considerations vis-à-vis other Brookfield Accounts. Given this management approach, Brookfield will manage our investment activities differently than how it manages the investment activities of other Brookfield Accounts (and differently than it would have under different circumstances under which Brookfield did not have other Brookfield Accounts). This management approach will affect, among other things, the type of investment opportunities that are allocated to us, how Brookfield addresses conflicts of interest that will arise in managing our investments and other activities, the provision of financing and refinancing arrangements, and/or other transactions between Brookfield and other Brookfield Accounts, on the one hand, and us, on the other hand.

Allocation of Costs and Expenses. In the ordinary course given our relationship with Brookfield and in accordance with the terms of the Investment Management Agreements, decisions must be made regarding whether costs and expenses (including, among others, Affiliated Services and other fees charged by third-party service providers) are to be borne by us and/or our investments or potential investments, on the one hand, or other Brookfield Accounts (including Brookfield), on the other hand, and/or whether such costs and expenses should be allocated among us and other Brookfield Accounts (including Brookfield). These costs and expenses include organizational expenses, operating expenses and expenses charged to investments, including (among others) fees, costs and expenses payable to service providers, including related parties, affiliates of Brookfield and/or third-party service providers. We expect that costs and expenses will be allocated to or among the Brookfield Accounts (including us and/or Brookfield) that benefit from such costs and expenses in a fair and reasonable manner using Brookfield’s good faith judgment, which is inherently subjective. Additional detail regarding costs and expenses is set out, among others, in the “Fees and Expenses,” “Affiliated Services and Transactions,” “Service Providers,” “Transfers and Secondments,” “Internal Audit” and “Insurance” subsections in the Conflicts of Interest section of this Form 20-F.

One or more methodologies (that Brookfield determines, in its sole discretion, to be fair and reasonable) will be utilized to determine (i) the costs and expenses relating to a particular service (that are not otherwise provided pursuant to a fixed rate) and (ii) the allocation of costs and expenses (including, among others, Affiliated Services and other fees charged by third-party service providers) among Brookfield Accounts (including us and/or Brookfield). These methodologies are expected to include, but are not limited to, one or more of the following: (i) quarterly, semi-annual, annual or other periodic estimates (including budgetary estimates) of (A) the amount of time spent by or to be spent by employees on provision of a service to one or more Brookfield Accounts, and/or (B) the level of effort required to provide a particular service relative to other services provided by the same employees (for instance, costs and expenses relating to financial reporting services could be allocated based on the estimated level of effort required for audited versus unaudited financial statements); (ii) the relative size (e.g., value or invested equity), number, output, complexity and/or other characteristic relating to the Brookfield Accounts, investments and/or potential investments to which the services relate; (iii) where services are provided by groups of employees, utilization of blended compensation rates across such employees; and/or (iv) any other methodology deemed fair and reasonable in determining (and/or estimating) the cost and expenses relating to the provision of a particular service.

The methodologies utilized to determine the costs and expenses relating to a particular service and the allocation of costs and expenses (including, among others, Affiliated Services and other fees charged by third-party service providers) among Brookfield Accounts (including Brookfield) are expected to vary based on the particular facts and circumstances of each situation (including potentially analogous situations) and over time, and as such there will be some degree of variation in the manner in which situations are addressed (including similar situations over time). As a result of the foregoing, there can be no assurance that any such determination will accurately reflect the actual cost of a service in any particular situation, that Brookfield's own interests won't influence the determination, and/or that a different methodology would not have also been fair, reasonable and/or yield a different (including more accurate) result. Moreover, it is possible that we and/or our investments or potential investments could be allocated a larger portion of costs and expenses relating to one or more services, including services provided by Brookfield Accounts (including Brookfield) and/or services that are provided to us and other Brookfield Account(s), than they otherwise would have if Brookfield did not face the conflicts of interest considerations discussed herein. Among other things, the determination of cost and expenses generally will be based on estimates (which are inherently subjective) and/or blended rates determined by blending and averaging employee costs. As a result, there can be no assurances that the amounts charged by Brookfield to us and/or our investments for any service will not be greater (or lower) than the amount that would be charged had the costs and expenses relating to the service(s) and/or the allocation of such costs and expenses among Brookfield Accounts (including Brookfield) been determined via a different methodology or had a similarly-situated third-party service provider been engaged to provide the services.

Costs and expenses that are suitable for only us (and/or our investments) or another Brookfield Account (and/or its investments) are expected to be allocated only to us or such other Brookfield Account, as applicable. Notwithstanding anything in the foregoing to the contrary, in certain situations costs and expenses are expected to be allocated only to us (and/or our investments) despite the fact that the incurrence of such costs and expenses did not or will not directly relate solely to us and could, in fact, also benefit other Brookfield Accounts or not ultimately benefit us (and/or our investments or potential investments) at all. For example, costs and expenses could be allocated to us in respect of a specific legal, regulatory, tax, commercial and/or other matter, structure and/or negotiation that does not relate solely to us, and all or a significant portion of such costs and expenses could be allocated to us based on factors deemed reasonable, regardless of the size of our investment and regardless of the extent to which other Brookfield Accounts (including Brookfield) ultimately benefit from such matter, structure and/or negotiation.

In certain circumstances, in order to create efficiencies and optimize performance, we expect that one or more of our investments, potential investments, operating companies and/or assets will share the operational, legal, financial, back-office and/or other resources of another investment, potential investment, portfolio company and/or asset of and/or other Brookfield Accounts, including Brookfield. The costs and expenses as well as the allocation of such costs and expenses among the relevant Brookfield Accounts (and/or their assets) will be determined utilizing the methodologies set forth above.

Where a potential investment is pursued on behalf of one or more Brookfield Accounts, including us, the Brookfield Account(s) that ultimately make(s) the investment will generally be allocated the costs and expenses related to such investment on a pro-rata basis based on their proportionate interests in the investment. In the case of a potential investment that is not consummated, we expect that the broken deal costs and expenses relating to such potential investment (including, research costs and expenses, legal, financial, accounting, consulting or other adviser fees, travel costs, deposits or down payments which are forfeited or paid as a penalty and other costs) will be allocated among the Brookfield Account(s) that were expected to participate in such investment on a pro-rata basis based on their expected proportionate interests in the investment, provided that pro-rata interests that were expected to be allocated to (a) other Brookfield Accounts (including Brookfield) so as to facilitate a closing of the investment (i.e., with the expectation that such interests would be further syndicated to third-party investors post-closing) and (b) potential third-party co-investors that did not agree to bear broken deal costs and expenses, will be allocated to us for purposes of allocating such broken deal costs and expenses. In any event, Brookfield's allocation of costs and expenses relating to a consummated or unconsummated investment may result in us reimbursing other Brookfield Accounts (including Brookfield) for costs and expenses, or vice versa, so as to achieve an allocation of such costs and expenses that Brookfield determines, in its discretion, to be fair and reasonable, as described above. Brookfield may modify or change its allocation methodologies from time to time to the extent it determines such modifications or changes are necessary or advisable to achieve a fair and reasonable allocation, and such modifications or changes could result in us and/or other Brookfield Accounts bearing less (or more) costs and expenses than it otherwise would have borne without such modifications and/or pursuant to a different allocation methodology.

The list of operating expenses included in our and Brookfield Accounts' disclosure documents is based on Brookfield's past experiences and current expectations of the types of costs and expenses to be incurred by us. Additional and/or new costs and expenses are expected to arise over time and will be allocated to us (or among us and other Brookfield Accounts) in a manner that is determined, to be fair and reasonable. In addition, although organizational expenses are subject to a cap, certain costs and expenses that are to be borne as operating expenses, which are not subject to a cap, include costs and expenses related to organizational matters, fees, costs and expenses of anti-bribery and corruption, anti-money laundering and/or "know your customer" compliance, tax diligence expenses and costs and expenses of ongoing related procedures.

For additional disclosures regarding the allocation of costs and expenses for Brookfield Accounts in which we invest, please see the Form ADVs of the Brookfield Advisers who advise the relevant Brookfield Accounts.

Affiliated Services and Transactions. Where deemed appropriate, relevant and/or necessary, and with our prior written consent, where required, Brookfield, its affiliates, and/or related parties will be engaged to provide a variety of different services and products in connection with the operation and/or management of our investments, potential investments and/or investment entities, that would otherwise be provided by independent third parties, including (among others): lending and loan special servicing, arranging, negotiating and managing financing, refinancing, hedging, derivative, managing workouts and foreclosures and other treasury and capital markets arrangements; investment banking (including participation by Brookfield-affiliated broker dealers in the underwriting syndicates for securities issuances us; investment support, including investment backstop, guarantees and similar investment support arrangements; advisory, consulting, brokerage, market research, appraisal, valuation, risk management, assurance, and audit services (including related to investments, assets, commodities, good and services); acting as alternative investment fund manager and/or other similar type of manager in jurisdictions where such services are necessary and/or beneficial and services relating to the use of entities that maintain a permanent residence in certain jurisdictions; financial planning, cash flow modeling and forecasting, consolidation, reporting, books and records, bank account and cash management, controls and other financial operations services; transaction support, assisting with review, underwriting, analytics, due diligence and pursuit of Investments and potential investments; anti-bribery and corruption, anti-money laundering and "know your customer" reviews, assessments and compliance measures; Investment onboarding (including training employees of Investments on relevant policies and procedures relating to risks); legal, compliance, regulatory, tax and corporate secretarial services; fund administration, accounting and reporting (including coordinating, supervising and administering onboarding, due diligence, reporting and other administrative services, including those associated with third party fund administrator and placement agents) and client onboarding (including review of subscription materials and coordination of anti-bribery and corruption, anti-money laundering or "know your customer" reviews and assessments); preparation and review of fund documents, negotiation with prospective clients and other services that would be considered "Organizational Expenses" of a Brookfield Account if performed by a third party; portfolio company and asset/property operations and management (and oversight thereof); data generation, data analytics, data analysis, data collection and data management services; participation in and/or advice on a range of activities by strategic and/or operations professionals with established industry expertise, including among others in connection with (or with respect to) the origination, identification, assessment, pursuit, coordination, execution and consummation of investment opportunities, including project planning, engineering and other technical analysis, securing site control, preparing and managing approvals and permits, financial analysis and managing related-stakeholder matters; real estate, leasing and/or asset/facility management; development management (including predevelopment services); entitlement, design and construction (including consulting with respect to and/or oversight thereof); marketing (including of power or other output by an underlying asset/portfolio company); environmental and sustainability services; the placement and provision of various insurance policies and coverage and/or reinsurance thereof, including via risk retention, insurance captives and/or alternative insurance solutions; system controls; human resources, payroll and welfare benefits services; health, life and physical safety, security, operations, maintenance and other technical specialties; supply and/or procurement of power, energy and/or other commodities/goods/products; information technology services, risk management and innovation (including cyber/digital security and related services); other operational, back office, social, administrative and governance related services; oversight and supervision of the provision, whether by a Brookfield affiliate/related party or a third-party, of the above-referenced services and products; and any other services deemed appropriate, relevant and/or necessary in connection with the operations and/or management of our investments, potential investments and/or the investment entities (such services, collectively, "**Affiliated Services**"). The types of Affiliated Services provided will not remain fixed and are expected to change and/or evolve over time as determined by Brookfield in its sole discretion.

Brookfield deems these services to be appropriate for and value enhancing to the operations and/or management of our investments, potential investments and/or investment entities, and these services otherwise would be provided by third parties engaged to provide the services. Amounts charged to us and/or our investments for Affiliated Services will be in addition to other compensation payable to Brookfield, will not be shared with us (or be offset against other compensation payable to Brookfield), and will increase the overall costs and expenses borne indirectly by our shareholders.

The fee potential, both current and future, inherent in a particular transaction could be an incentive for Brookfield to seek to refer or recommend a transaction to us. Furthermore, providing services or products to us and our investments is expected to enhance Brookfield's relationships with various parties, facilitate additional business development and enable Brookfield to obtain additional business and generate additional revenue.

To the extent Brookfield (including any of its affiliates and/or personnel, other than portfolio companies of other Brookfield Accounts) provides an Affiliated Service, the amount charged for such service will be: (a) at a rate no greater than the applicable rate for such service as agreed to with us (the "**Rate Schedule**"), (b) at a rate for the relevant service that Brookfield reasonably believes is consistent with an arm's length market rate (the "**Affiliate Service Rate**"); (c) at cost (including an allocable share of internal costs), plus an administrative fee of 5%, or (d) at any other rates with consent from our independent directors. To the extent Brookfield charges an Affiliate Service Rate or cost plus an administrative fee in respect an Affiliated Service, the Affiliate Services Rate or cost (as applicable) will be determined as set out in more detail in this Form 20-F.

If an Affiliated Service is charged at the Affiliate Service Rate, Brookfield will determine the Affiliate Service Rate in good faith at the time of engagement based on one or more factors, including, among others: (i) the rate that one or more comparable service providers (which may or may not be a competitor of Brookfield) charge third-parties for the similar services on an arm's length basis; (ii) market knowledge (which could be based on internal knowledge or inquiries with one or more market participants); (iii) the rate charged by Brookfield to one or more third-parties for similar services (or the methodology used by Brookfield to set such rate); (iv) advice of one or more third-party agents, consultants and/or other market participants; (v) commodity or other rate forecasting; (vi) the rate agreed to pursuant to a competitive arm's length bidding process (which may not reflect the lowest rate bid during the process, but that is inherent in an engagement that is deemed by Brookfield to be in the best interests of us and/or our investments taking into account the totality of factors relating thereto); (vii) the rate required to meet certain regulatory requirements or qualify for particular governmental programs; (viii) in the case of services which Brookfield provides as part of a syndicate, such as investment banking or brokerage services, the rate that is negotiated and/or determined by a third-party member of the syndicate; (ix) the rate that a third-party agreed to provide the service at pursuant to a term sheet or similar agreement or understanding; and/or (x) other subjective and/or objective metrics deemed relevant by Brookfield (in its sole discretion) in determining an arm's length market rate for a particular service.

For the avoidance of doubt, the costs to be paid in respect of Affiliated Services and therefore an indirect expense to us (whether such Affiliated Services are provided in accordance with the Rate Schedule, at the Affiliate Service Rate, cost plus an administrative fee, or otherwise) will include, among other components: (i) personnel compensation costs and expenses (e.g., salary, benefits (including, among others, paid time off)), (ii) short- and long-term incentive compensation (including management promote, incentive fee and/or other performance-based compensation), (iii) costs and expenses of professional development, professional certifications, professional fees, training, business travel (including, among others, transportation, lodging and meals) and related matters, (iv) an allocable share of corporate costs and expenses associated with employment, including (among others) office rent, human resources personnel, talent acquisition fees and expenses, and office services costs, and (v) an allocable share of technology costs and expenses associated with employment of personnel, including, among others, information technology hardware, human resources technology, computing power and/or storage, software, cybersecurity, and related costs. These costs and expenses will, in certain cases, be based on estimates made by Brookfield, both in respect of the total amount of costs and expenses relating to a particular service as well as the shares of such costs and expenses allocable to Brookfield Accounts (including, among others, Brookfield and us). To the extent Brookfield retains the services of a third-party consultant, agent or other market participant to advise on or otherwise assist in determining an Affiliate Service Rate and/or the estimated costs and expenses of providing an Affiliated Service, the fees and costs (including expenses) of such third-party will borne by the Brookfield Account.

At all times, Brookfield will endeavor to determine the costs and expenses and/or the Affiliate Service Rate applicable with respect to a particular Affiliated Service, in a fair, reasonable and impartial manner. However, there can be no assurance that any such determination will accurately reflect the actual cost and/or arm's length market rate of an Affiliated Service in any particular situation, that Brookfield's own interests won't influence its determination, and/or that a different methodology would not have also been fair, reasonable and/or yield a different (including more accurate) result. Among other things, the determination of cost and expenses generally will be based on estimates (which are inherently subjective) and, in determining an Affiliate Service Rate, there are variances in the marketplace for similar services based on an array of factors that affect rates for services, including, among others, loss leader pricing strategies, other marketing and competitive practices, integration efficiencies, geographic market differences, and the quality of the services provided. As a result, there can be no assurances that the amounts charged by Brookfield for any Affiliated Service will not be greater (or lower) than the rate that would be charged had Brookfield determined the rate via a different methodology or engaged a similarly-situated third-party service provider to provide the services. The Affiliate Service Rate charged for any Affiliated Service at any given time following the relevant engagement could be higher (or lower) than the then-current market rate for the service because the market rate has decreased (or increased) over time. However, Brookfield generally will not adjust (i.e., decrease or increase) the Affiliate Service Rate in any particular case. Brookfield's methodology of estimating the costs and expenses attributable to a particular Affiliated Service could be higher (or lower) than the actual cost of providing the service, particularly as Brookfield will rely on estimates of costs and expenses (including, among others, estimates of budgets, expected services, relative sizes (or other metric) of assets and/or businesses, and/or time periods) and blended rates of employees. However, unless otherwise determined by Brookfield, in its sole discretion, the associated charges to us and/or an investment will not be subject to true-up once the relevant Affiliated Services are completed or periodically throughout the services period.

Where Affiliated Services are in place prior to our ownership of an investment and cannot be amended without the consent of an unaffiliated third party, we will inherit the pre-existing rates for such Affiliated Services until (X) such time at which third-party consent is no longer required, or (Y) we seek consent from the unaffiliated third party to amend such rates. Accordingly, while Brookfield could seek consent of the unaffiliated third party to amend any pre-existing fee rates on our behalf, Brookfield will be incentivized to seek to amend the pre-existing fee arrangement in certain circumstances and dis-incentivized to do so in others. For example, Brookfield will be incentivized to seek consent to amend the rate in circumstances where the amended fee would be higher than the pre-existing rate, and conversely could choose not to (and will not be required to) seek consent to amend any pre-existing fee rates if the amended rate would be lower than the pre-existing rate.

From time to time, Brookfield will terminate Affiliated Services arrangements entered into between us and/or our investment(s), on the one hand, and Brookfield and/or other Brookfield Accounts (and/or their investment(s)), on the other hand, including prior to the expected termination or expiration of the arrangements. In such instances, Brookfield will endeavor to act fairly and reasonably taking into account the interests of us (and/or our investment(s)) as well as those of our counterparties and the applicable facts and circumstances at such time. However, there can be no assurance that any such termination will be effected in such manner as it otherwise would have been had the counterparty not been a Brookfield related entity and/or that Brookfield's own interests won't influence the manner of such termination. In particular, Brookfield could determine to waive and/or otherwise negotiate certain terms relating to the termination, including early termination fees and related provisions, in a manner that it would not have pursued if the counterparty were not a Brookfield related entity. In addition, it is possible that we or a particular investment could bear a larger portion of the termination costs than it otherwise would have if Brookfield did not face the conflicts of interest considerations discussed herein.

For the avoidance of doubt, the foregoing procedures and limitations regarding compensation for transactions will not apply to transactions for services and/or products between us and portfolio companies of another Brookfield Account, PSG, Oaktree, Oaktree accounts and/or a non-controlled affiliate of Brookfield (though Brookfield could nonetheless determine, in its sole discretion, to apply the Rate Schedule, an Affiliate Service Rate and/or an estimated cost plus an administrative fee methodology in these situations).

Historically, certain Affiliated Services were performed by Brookfield (including by its direct personnel, operating partners, servicers, brokers and/or other third-party vendors) without being charged to us and/or our investments. Brookfield believes that providing these Affiliated Services results in increased focus, attention, efficiencies and related synergies that facilitate alignment of interest and the ability to offer customized solutions and value creation that would not be available from third-party providers. While Brookfield believes that the cost of the Affiliated Services will be reasonable, the extensive and specialized nature of services could result in such costs being higher than those charged for similar services (to the extent available) by third-party providers. Brookfield generally will not evaluate alternative providers or otherwise benchmark the costs of such Affiliated Services. While Brookfield believes that this enhances the overall services that Brookfield provides to us and our investments in a cost-efficient manner, the arrangement gives rise to conflicts of interest considerations, including among others in connection with the methodologies employed to determine the cost and expenses of the services provided and/or the determination of the portion of the costs and expenses relating to support services to be allocated among us (and our investments), on the one hand, and other Brookfield Accounts (and their investments), on the other hand, including Brookfield.

For additional disclosures regarding affiliated services and transactions for Brookfield Accounts in which we invest, please see the Form ADVs of the Brookfield Advisers who advise the relevant Brookfield Accounts.

Service Providers. In managing business activities, Brookfield, Brookfield Accounts and portfolio companies utilize and rely on various independent service providers, including attorneys, accountants, fund administrators, consultants, financial and other advisors, deal sources, lenders, brokers and outside directors. These service providers' independence from Brookfield is relied upon for various purposes, including (among other things) audits of Brookfield Accounts and/or portfolio companies, transaction related services, benchmarking analyses, fairness and similar opinions of value, and/or verification of arm's length terms, in each case designed to facilitate resolution of conflicts of interest considerations relating to transactions between Brookfield Accounts and/or portfolio companies with Brookfield and/or other Brookfield Accounts and/or portfolio companies.

Brookfield, Brookfield Accounts and portfolio companies have various business relationships and engage in various activities with these service providers and/or their affiliates, which give rise to conflicts of interest considerations relating to the selection of the service providers. For example, service providers and/or their personnel could: (a) be investors in Brookfield, Brookfield Accounts and/or portfolio companies, (b) provide services to multiple Brookfield business lines, Brookfield Accounts and/or portfolio companies, (c) be engaged to provide various different types of services to Brookfield, Brookfield Accounts and portfolio companies, (d) provide certain services, such as introductions to prospective investors and/or counterparties, to Brookfield, Brookfield Accounts and portfolio companies at favorable rates or no additional cost, (e) be counterparties to transactions with Brookfield, Brookfield Accounts and/or portfolio companies. In addition, certain service providers (particularly large global service providers, such as law firms, accounting firms and financial institutions) employ family members of personnel of Brookfield, Brookfield Accounts and/or portfolio companies. Moreover, in the regular course of business, personnel of Brookfield, Brookfield Accounts and/or portfolio companies give (or receive) gifts and entertainment to (or from) personnel of service providers.

Notwithstanding these relationships and/or activities with service providers, Brookfield has policies and procedures designed to address these conflicts of interest considerations and to ensure that service providers are selected for Brookfield, Brookfield Accounts and portfolio companies that they believe are appropriate for and in the best interests of Brookfield, Brookfield Accounts and/or portfolio companies (as the case may be) in accordance with Brookfield's legal and regulatory obligations, provided that (for the avoidance of doubt) Brookfield often will not seek out the lowest-cost option when engaging such service providers as other factors or considerations typically prevail over cost.

Brookfield Accounts (including us and/or our investment accounts managed by the Asset Management Company, other Brookfield-managed investment vehicles and Brookfield for its own account) and their portfolio companies often engage common providers of goods and/or services. These common providers sometimes provide bulk discounts or other fee discount arrangements, which could be based on an expectation of a certain amount of aggregate engagements by Brookfield Accounts and portfolio companies over a period of time. Brookfield generally extends these fee discount arrangements to Brookfield, Brookfield Accounts, and portfolio companies in a fair and equitable manner.

In certain cases, a service provider (e.g., a law firm) will provide all Brookfield Accounts and their portfolio companies a bulk discount on fees that is applicable only prospectively (within an annual period) once a certain aggregate spending threshold has been met by the group during the relevant annual period. As a result, Brookfield Accounts and portfolio companies that engage the service provider after the aggregate spending threshold has been met will get the benefit of the discount and, as a result, pay lower rates than the rates paid by Brookfield Accounts and portfolio companies that engaged the same provider prior to the discount being triggered.

The engagement of common providers for Brookfield Accounts and their portfolio companies and the related fee discount arrangements give rise to conflicts of interest considerations. For example, as a result of these arrangements, Brookfield will face conflicts of interest in determining which providers to engage on our behalf and when to engage such providers, including an incentive to engage certain providers for us because it will result in the maintenance or enhancement of a discounted fee arrangement that benefits Brookfield, other Brookfield Accounts and their portfolio companies. Notwithstanding these conflicts considerations, Brookfield makes these determinations in a manner that it believes is appropriate for and in the best interests of us, taking into account all applicable facts-and-circumstances.

In the normal course, common providers (e.g., law firms) will staff engagements based on the particular needs of the engagement and charge such staff's then-applicable rates, subject to any negotiated discounts. While these rates will be the same as the rates such providers would charge Brookfield for the same engagement, Brookfield generally engages providers for different needs than Brookfield Accounts (including us and/or our investment accounts managed by Brookfield) and/or portfolio companies, and the total fees charged for different engagements are expected to vary.

In addition, as a result of the foregoing, the overall rates paid by us over a period of time to a common provider could be higher (or lower) than the overall rates paid to the same provider by Brookfield, other Brookfield Accounts and their portfolio companies.

These relationships, activities and discounts described herein are part of normal course business operations and are not considered additional fees received by Brookfield that would offset or otherwise reduce the fees (including management fees) owed by us to Brookfield under the terms of the Investment Management Agreements.

For additional disclosures regarding service providers for Brookfield Accounts in which we invest, please see the Form ADVs of the Brookfield Advisers who advise the relevant Brookfield Accounts.

Transfers and Secondments. From time to time, in order to create efficiencies and optimize performance, we may decide to hire, retain or second employees of Brookfield, Brookfield Accounts, and/or portfolio companies of Brookfield or we made agree that certain of our employees may be hired or retained by, or seconded to, Brookfield, portfolio companies of Brookfield, or other Brookfield Accounts. In such situations, all or a portion of the compensation and overhead expenses relating to such employees (including salaries, benefits, and incentive compensation, among other things) may directly or indirectly be borne by the entities to which the employees are transferred or seconded, as negotiated between the applicable parties. Any such arrangement may be on a permanent or temporary basis, or on a full-time or part-time basis, in order to fill positions or provide services that would otherwise be filled or provided by third parties hired or retained by the relevant entities. To the extent any Brookfield employees are hired or retained by, or seconded to, us (and/or our investments), we may agree to pay such persons directors' fees, salaries, consultant fees, other cash compensation, stock options or other compensation and incentives and may reimburse such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Brookfield may also advance compensation to seconded Brookfield employees and be subsequently reimbursed by the applicable investment. Additionally, the method for determining how (i) certain compensation arrangements are structured and valued (particularly with respect to the structure of various forms of incentive compensation that vest over time and whose value upon payment is based on estimates) and (ii) overhead expenses are allocated, in each case require certain judgments and assumptions, and as a result we may bear higher costs than we would have had such expenses been valued, allocated or charged differently.

Brookfield could benefit from arrangements where Brookfield employees are hired or retained by, or seconded to, us, for example, in the case where we make a fixed payment to Brookfield to compensate Brookfield for a portion of an employee's incentive compensation, but such employee does not ultimately collect such incentive compensation. Additionally, there could be a circumstance where an employee of Brookfield or a portfolio company of a Brookfield Account could become an employee of us (or vice versa) and, in connection therewith, be entitled to receive from the company it is transferring to unvested incentive compensation received from the company it is transferring from. While such incentive compensation would be subject to forfeiture under other circumstances, given the prior employment by a Brookfield related company, such incentive compensation may continue to vest as if such employee continued to be an employee of the company from which it is transferring. The arrangements described herein will take place in accordance with parameters approved by Brookfield's Conflicts Committee but will not be subject to approval by our shareholders, and such amounts will not be considered fees received by Brookfield or its affiliates that offset or otherwise reduce the management or any other fee or compensation due to Brookfield. Portfolio companies of Brookfield Accounts are drawn from a number of highly specialized industries, and Brookfield also expects to benefit from the industry knowledge and technical expertise gained by Brookfield employees who are hired or retained by, or seconded to, investments or a Brookfield affiliate on behalf of such investment. Brookfield does not expect to provide any compensation or off-set of fees or expenses to such investments or Brookfield affiliates in exchange for the development of such knowledge or expertise by Brookfield employees.

For disclosures regarding transfer and secondments for Brookfield Accounts in which we invest, please see the Form ADVs of the Brookfield Advisers who advise the relevant Brookfield Accounts.

In addition, Brookfield and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of us, which will not reduce management fees or otherwise be shared with us or our shareholders. For example, airline travel or hotel stays incurred as expenses by us typically result in "miles" or "points" or credit in loyalty/status programs and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Brookfield and/or such personnel (and not us or our shareholders) even though the cost of the underlying service is borne by us. Similarly, the volume of work that service providers receive from Brookfield, which include those from us, results in discounts for such services that Brookfield will benefit from, while we will not be able to benefit from certain discounts that apply to Brookfield. In addition, Brookfield has in the past and expects to continue to make available certain discount programs to its employees as a result of Brookfield's relationship with an investment (e.g., "friends and family" discounts), which discounts are not available to our shareholders.

Brookfield has adopted policies to facilitate the transfer and secondment of employees in order to ensure that such activities are carried out in accordance with applicable regulatory requirements and to address applicable conflicts considerations, including seeking to ensure that each transfer and/or secondment satisfies a legitimate business need and is in the best interests of the relevant Brookfield Account and/or portfolio company.

Internal Audit. As a publicly traded company we are subject to requirements to maintain an internal audit function and to complete internal audit reviews of their investments and related operations. In certain instances, our operating subsidiaries are also expected to perform internal audit reviews of their operations and related activities, either in connection with our own regulatory requirements or otherwise for corporate governance purposes. Such internal audit work is expected to be carried out by our employees, by Brookfield employees and/or by third-party advisors, and the expenses related to such work by all such persons are generally expected to be charged to us. The product of our internal audit work may be relied on and utilized, where applicable, in meeting Brookfield Corporation's internal audit obligations; however, Brookfield generally will not share in the expenses of our internal audits (except in its capacity as the holder of certain equity interests in our company).

For disclosures regarding use of internal audit for Brookfield Accounts in which we invest, please see the Form ADVs of the Brookfield Advisers who advise the relevant Brookfield Account.

Insurance. We purchase, and/or bear premiums, fees, costs and expenses (including the premiums, costs, expenses and/or fees of affiliates and non-affiliates for insurance coverage and for placement and administration of insurance coverage) with respect to, insurance for the benefit of us, Brookfield and its affiliates (as service providers to Brookfield Accounts), their employees, affiliates, agents and representatives as well as indemnified parties with respect to matters (including directors and officers liability insurance, errors and omissions insurance, and any other insurance which the Brookfield determines to be required or market standard), or for the benefit of us or our investments, with respect to investment-related matters (including terrorism, property, title, liability, marine, environmental, professional, cyber, transactional, fire insurance and/or extended or specialized coverage).

Brookfield Accounts (including us) and respective portfolio companies and other investments will utilize Brookfield affiliates for placement, administrator and provision of insurance coverage in connection with all or part of their insurance coverage and we are expected to leverage the scale of Brookfield by participating in shared, or umbrella, insurance policies as part of a broader group of entities affiliated with Brookfield (including Brookfield and other Brookfield Accounts). Any insurance policy purchased by us or on our behalf (including policies covering us, Brookfield, and other Brookfield Accounts) may provide coverage for situations where we would not provide indemnification, including situations involving culpable conduct by Brookfield. Nonetheless, our share of the premiums, costs, fees and expenses in respect of insurance coverage will not be reduced to account for these types of situations.

Brookfield insurance companies (each, a "**Captive**") that provide insurance coverage for Brookfield Accounts (including us) and assets held directly or indirectly by Brookfield Accounts generally will be utilized for all or a portion of insurance coverage needs (e.g., primary layer of insurance for certain assets, supplemental coverage to coverage provided by third-party carriers, etc.). Captives are expected to provide benefits to Brookfield Accounts that may not be available from a third-party insurance provider. In determining whether to utilize a Captive as an insurance provider for us and/or our investments, Brookfield will take into account such factors as it determines appropriate in its discretion under the then-existing facts-and-circumstances. It is expected that each Captive will charge premiums at the Affiliate Service Rate applicable to the insurance provided by such Captive. The determination of such rates will be based on third-party pricing data, pricing mandated by regulation, or an opinion of a third-party insurance adviser (including advisers that provide other insurance related services to Brookfield and the Brookfield Accounts). The engagement of a Captive will give rise to certain potential conflicts of interest, including in connection with the allocation of premiums and the evaluation and payment of claims. In order to mitigate potential conflicts of interest related thereto, an independent third-party insurance carrier generally will be responsible for claims management and payment.

Captives could seek reinsurance for all or a portion of the coverage, which could result in Brookfield earning and retaining fees, commissions and/or a portion of the premiums associated with such insurance while not retaining all or a commensurate portion of the risk insured. Captives may also earn and retain fees, commissions, and/or a portion of the premiums associated with insurance covering types of damages for which a government entity and/or other third party may reimburse the captive (e.g., damage caused by certain terrorist events), which may result in the captives not retaining all or a commensurate portion of the risk of insuring against such types of damage.

To the extent an insurance policy or Captive insurance policy provides coverage with respect to matters related to us, all or a portion of the fees and expenses (including premiums) of such insurance policy and its placement will be allocated to us or our investments. The amount of any such insurance-related fees and expenses allocated to us or our investments will be determined by Brookfield in its discretion taking into consideration facts and circumstances deemed relevant, including in umbrella policies the value of each covered Brookfield Account's investments and capital commitments (if applicable) and/or risk that we and/or our investments pose to the insurance provider. While Brookfield expects to consider certain objective criteria when determining how to allocate the cost of insurance coverage that applies to multiple funds and accounts (including Brookfield and Brookfield Accounts), because of the uncertainty of whether claims will arise in the future and the timing and the amount that may be involved in any such claim, the determination of how to allocate such fees and expenses also requires Brookfield to take into consideration other facts and circumstances that are more subjective in nature. In addition, because Brookfield will bear a portion of such fees and expenses and has differing investment interests in the Brookfield Accounts it manages, conflicts exist in the determination of the proper allocation of such fees and expenses among Brookfield and such accounts. It is unlikely that Brookfield will be able to accurately allocate the fees and expenses of any such insurance based on the actual claims of a particular Brookfield Account, including us. Brookfield may, if it determines it to be necessary, consult with one or more third parties to ensure that the allocation of such fees and expenses is done in a fair and reasonable manner.

While shared insurance policies (including those issued by Captives) may be cost effective, claims made by any entities affiliated with Brookfield could result in increased costs to us and such policies may have an overall cap on coverage. To the extent insurable event(s) result in claims in excess of such cap, we may not receive as much in insurance proceeds as would have been received if separate insurance policies had been purchased for each party and Brookfield could face a conflict in interest in properly allocating insurance proceeds across all claimants, which could result in us receiving less in insurance proceeds than if separate insurance policies had been purchased for each insured party individually. In these cases, Brookfield will seek to allocate the proceeds from claims in respect of insurance policies and resolve any conflicts of interests, as applicable, in a manner it determines to be fair and reasonable. In that regard, Brookfield may, if it determines it to be necessary, consult with one or more third parties to ensure that the allocation of such proceeds is done in a fair and reasonable manner. Similarly, insurable events may occur sequentially in time while subject to a single overall cap. In this case, Brookfield expects to process claims on a first-come first-serve basis or in any other manner deemed appropriate by Brookfield. To the extent insurance proceeds for one such event are applied towards a cap and experience an insurable loss after such event, our receipts from such insurance policy could be diminished and/or we may not receive any insurance proceeds. A shared insurance policy could also make it less likely that Brookfield will make a claim against such policy on behalf of us.

In addition, Brookfield on behalf of the us may need to determine whether or not to initiate litigation (including potentially litigation adverse to Brookfield where it is the broker or provider of such insurance) in order to collect from an insurance provider, which may be lengthy and expensive and which ultimately may not result in a financial award. The potential for Brookfield to be a counterparty in any litigation or other proceedings regarding insurance claims creates a further potential conflict of interest. Furthermore, in providing such insurance, Brookfield may seek reinsurance for all or a portion of the coverage, which could result in Brookfield earning and retaining fees and/or a portion of the premiums associated with such insurance while not retaining all or a commensurate portion of the risk insured. Brookfield will seek to allocate the costs of such insurance and proceeds from claims in respect of such insurance policies and resolve any conflicts of interest, as applicable, in a manner it determines to be fair. In that regard, Brookfield may, if it determines it to be necessary, consult with one or more third parties in allocating such costs and proceeds and resolving such conflicts.

For additional disclosures regarding insurance for Brookfield Accounts in which we invest, please see the Form ADVs of the Brookfield Advisers who advise the relevant Brookfield Accounts.

Conflicts of Interest Protocols. Our investment program and conflicts protocols are designed to address the factors noted above. Such program and protocols include certain investment guidelines and restrictions on our investments in securities issued by (and loans made to) Brookfield Accounts, such as exposure limits, a passive investment strategy and other controls (designed to ensure that potential adverse interests between our accounts and other Brookfield Accounts invested in different parts of an issuer's capital structure can be appropriately managed in satisfaction of Brookfield's fiduciary duties to other Brookfield Accounts). Further, in order to ensure that Brookfield can appropriately manage the Brookfield Accounts consistent with its fiduciary obligations to them, Brookfield Accounts (including ones in which we invest) generally will have priority with respect to investment opportunities that are suitable for their mandates. Moreover, from time to time, we will provide financing (or refinancing) arrangements to Brookfield Accounts at a lower cost or otherwise on more favorable terms relative to other third-party lenders and/or arrangements.

Brookfield has also implemented policies and procedures governing regulatory consent requirements for transactions involving the BNRE Related Account Group that raise conflicts of interest considerations relating to cross and principal transactions, including Related Account Group Transactions and Cross Account Group Transactions. Under its policies and procedures Brookfield will obtain prior approval for Cross Account Group Transactions that constitute a principal transactions (and for any transaction in loans or other instruments that would constitute a principal transaction but for the fact that it is not a transaction in a security), from a senior employee of our insurance or reinsurance company that acts as the reinsurer in respect of the relevant account and designated to provide such approval. Post-transaction ratification will also be provided on a quarterly basis by the independent members of the investment committee of the board of directors of the relevant insurance or reinsurance company. These consents are designed to satisfy regulatory consent requirements and are binding upon us. In addition, Brookfield has implemented pricing guidelines to ensure that our investments are executed at fair market values on arm's length terms.

Brookfield does not expect to seek consent for Related Account Group Transactions in the ordinary course as Brookfield believes such transactions are not cross or principal transactions. Rather, Brookfield believes these asset transfers are transactions effected at fair market value or statutory book value within a single economic group, in accordance with Brookfield's valuation and accounting policies and procedures, which do not impact the expected return of any reinsurance counterparties within the BNRE Related Account Group. Additionally, third-party cedants do not bear the economic risk relating to the cedant accounts but, rather, are owed a guaranteed return by the applicable reinsurance subsidiary of our company and have a right to access underlying investments in the accounts to the extent such reinsurance subsidiary defaults on its payment obligations under the terms of the applicable reinsurance treaty. Our company therefore holds all of the economic risk in connection with any Related Account Group Transaction. These policies and procedures for managing conflicts will be different than the approach Brookfield takes for its other advisory clients as described in the Brookfield Form ADV.

Given the following factors, we expect that our and our shareholders' interests and Brookfield's interests are strongly aligned and that BAM Re Advisor taking into account Brookfield's interests as well as our best interests will benefit our company and the holders of our exchangeable shares: (i) our organizational and ownership structure; (ii) the rationale for our formation; (iii) the fact that each exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share and be convertible into the same; and (iv) the financial and other support Brookfield is providing to us through various support agreements. Moreover, we believe that Brookfield's interests in managing its other Brookfield Accounts (including ones in which we invest) in accordance with its fiduciary duties to them benefits us and that prioritizing other Brookfield Accounts (including ones in which we invest) is ultimately in our and our shareholders' best economic interest as the potential benefits that would accrue to Brookfield and its shareholders would similarly accrue to us and our shareholders.

From time to time, in order to create efficiencies and optimize performance, employees of Brookfield, us, and Brookfield Accounts will be hired or retained by, or seconded to, other portfolio companies, other Brookfield Accounts and/or Brookfield. Brookfield may take its own interests into account in considering and making determinations regarding such transfers or secondments. However, as noted elsewhere herein, Brookfield believes that our access to Brookfield's broader asset management platform enhances our, Brookfield Accounts' and portfolio companies' capabilities, is an integral part of our (and their) operations and will provide benefits to us, Brookfield Accounts and portfolio companies that would not exist but for our affiliation with Brookfield.

Conflicts of interest between our company, on the one hand, and Brookfield and other Brookfield Accounts, on the other hand, will generally be resolved in accordance with the principles summarized herein and in the Brookfield Form ADVs, Brookfield's policies for adequately addressing conflicts considerations that arise in managing its business activities, governing documents of Brookfield Accounts, and conflicts protocols. Brookfield has formed a conflicts committee (the "**Conflicts Committee**") that reviews Brookfield's resolution of potential and actual conflicts situations that arise in the normal course of managing Brookfield's business activities. Brookfield's Conflicts Committee is intended to provide review and analysis, and ensure appropriate resolution, of these conflicts considerations. The Conflicts Committee also approved a framework (and related parameters) for execution of certain types of transactions, including Related Account Group Transactions and Cross Account Group Transactions and appoint one or more individuals (including Brookfield Corporation's Chief Compliance Officer), pursuant to delegated authority, to oversee implementation of the framework. In this respect, transactions that are executed in accordance with such a framework will be deemed to have been approved by the Conflicts Committee. However, there can be no assurance that Brookfield will timely identify and present conflicts of interest considerations to its Conflicts Committee. In addition, the Conflicts Committee is comprised of senior management of Brookfield and, as a result: (i) such representatives are themselves subject to conflicts of interest considerations and (ii) there can be no assurance that any determinations made by the Conflicts Committee will be favorable to a Brookfield Account (including our company and/or a Brookfield Accounts in which we invest). The Conflicts Committee will act in good faith to resolve conflicts of interest considerations in a manner that is fair and balanced, taking into account the facts and circumstances known to it at the time. However, there is no guarantee that the Conflicts Committee will make the decision that is most beneficial to any particular Brookfield Account (including our company and/or a Brookfield Accounts in which we invest) or that the Conflicts Committee would not have reached a different decision if additional information were available to it.

For more information, see Item 3.D "Risk Factors — Risks Relating to the Exchangeable Shares — The exchangeable shares have been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share and therefore we expect that the market price of our exchangeable shares should be impacted by the market price of the Brookfield Class A Shares and the business performance of Brookfield Corporation," and "— Risks Relating to Our Relationship with Brookfield — Our organizational, ownership and operational management structure, and advisory relationship with Brookfield, give rise to conflicts of interest".

By acquiring our shares, each investor will be deemed to have acknowledged the existence of the conflicts of interest discussed above and to have waived any and all claims with respect to them and any actions taken or proposed to be taken in respect of them. Although we believe Brookfield will act in what it believes is our best interest, conflicts may not be resolved in a manner that is favorable to our company, Brookfield Accounts in which we invest or our shareholders. Prospective investors are encouraged to seek the advice of independent legal counsel in evaluating the conflicts involved in an investment in our shares and the operation of our company.

Additional information about conflicts of interest considerations regarding an investment in our company is set forth in the Brookfield Asset Management Reinsurance Advisor LLC Form ADV, as well as the Form ADVs of the Brookfield Advisers who advise the Brookfield Accounts in which we invest. Prospective investors should review the Form ADVs of Brookfield Asset Management Reinsurance Advisor LLC and the Brookfield Advisers prior to investing in our company and current investors should review them on an annual basis. These Form ADVs are available on the SEC's website (www.adviserinfo.sec.gov) and are not part of this Form 20-F.

7.C INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Financial Statements

See Item 18 “Financial Statements”, which contains our audited consolidated financial statements prepared in accordance with IFRS as permitted by securities regulators in Canada, as well as in the United States under the status of a Foreign Private Issuer. Beginning on January 1, 2023, our company transitioned to using U.S. GAAP. Due to differences in accounting treatments between IFRS and U.S. GAAP, amounts historically reported for our company’s financial position, operating results, and cash flow under IFRS, will be different from those which will be reported under U.S. GAAP beginning on January 1, 2023.

Dividend Policy

See Item 5.A “Operating Results — Liquidity and Capital Resources — Dividends Policy”, which contains information regarding our dividend policy. Also see Item 10.B “Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares — Distributions”.

Legal Proceedings

See Item 18. “Financial Statements”.

8.B SIGNIFICANT CHANGES

A discussion of the significant changes in our business can be found under Item 4 “Information on the Company”, Item 4.A “History and Development of the Company” and Item 5.A “Operating Results”.

ITEM 9. THE OFFER AND LISTING

9.A OFFER AND LISTING DETAILS

The class A exchangeable shares are listed on the NYSE and the TSX under the symbol “BNRE”. Our Class A exchangeable shares began trading on the NYSE and the TSX on June 28, 2021.

9.B PLAN OF DISTRIBUTION

Not applicable.

9.C MARKETS

See Item 9.A “Offer and Listing Details”.

9.D SELLING SHAREHOLDERS

Not applicable.

9.E DILUTION

Not applicable.

9.F EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A SHARE CAPITAL

Not applicable.

10.B MEMORANDUM AND BYE-LAWS

Our authorized share capital consists of: (i) 1,000,000,000 class A exchangeable shares; (ii) 500,000,000 class A-1 exchangeable shares; (iii) 500,000 class B shares; (iv) 1,000,000,000 class C shares; (v) (a) 1,000,000,000 Class A Junior Preferred Shares (issuable in series), and (b) 1,000,000,000 Class B Junior Preferred Shares (issuable in series), which we refer to together with the Class A Junior Preferred Shares as the Junior Preferred Shares; and (vi) (a) 100,000,000 Class A Senior Preferred Shares (issuable in series) having a par value of $25.00 per share, and (b) 100,000,000 Class B Senior Preferred Shares (issuable in series), which we refer to together with the Class A Senior Preferred Shares as the Senior Preferred Shares, and collectively with the Junior Preferred Shares, as the Preferred Shares.

As of the date of this Form 20-F, there were 10,450,952 class A exchangeable shares, 24,000 class B shares, 41,314,891 class C shares, 98,351,547 Class A Junior Preferred Shares, Series 1 and 2,108,733 Class A Junior Preferred Shares, Series 2 outstanding. As of the date of this Form 20-F, there were no class A-1 exchangeable shares outstanding.

Class A Exchangeable Shares and Class A 1 Exchangeable Shares

The following description of class A exchangeable shares and class A-1 exchangeable shares sets forth certain general terms and provisions of the class A exchangeable shares and class A-1 exchangeable shares, as applicable. This description is in all respects subject to and qualified in its entirety by applicable law and the provisions of our company's bye-laws. As of the date of this Form 20-F, there were no class A-1 exchangeable shares outstanding. Through the rights and governance structures described in this Form 20-F, each exchangeable share is intended to provide its holder with an economic return that is equivalent to that of a Brookfield Class A Share. Consequently, we expect that the market price of our class A exchangeable shares, and our class A-1 exchangeable shares, when and if issued, should be impacted by the market price of the Brookfield Class A Shares and the business performance of Brookfield Corporation. Except for the voting rights and the conversion rights described below, the rights, privileges, restrictions and conditions attached to the class A exchangeable shares as a class and the class A-1 exchangeable shares as a class are identical in all respects.

Voting Rights of Class A Exchangeable Shares

Each holder of class A exchangeable shares will be entitled to receive notice of, and to attend and vote at, all meetings of our shareholders, other than meetings at which only holders of a specified class or series of shares are entitled to vote or as otherwise required by law. Except as set out below under "— Election of Directors", each holder of class A exchangeable shares will be entitled to cast one vote for each class A exchangeable share held at the record date for determination of shareholders entitled to vote on any matter.

Except as otherwise expressly provided in our bye-laws or as required by law, all matters to be approved by shareholders must be approved by: (i) a majority or, where a higher threshold is specified under applicable law, the higher percentage of the votes cast by holders of class A exchangeable shares who vote in respect of the resolution, and (ii) a majority or, where a higher threshold is specified under applicable law, the higher percentage of the votes cast by the holder of our class B shares who vote in respect of the resolution. As a result, all matters that require shareholder approval must be approved by the holder of the class B shares.

Election of Directors

In the election of directors, holders of class A exchangeable shares will be entitled to elect one-half of the board. Our bye-laws provide that each holder of a class A exchangeable share has the right to cast a number of votes equal to the number of votes attached to the class A exchangeable shares held by the holder multiplied by the number of directors to be elected by the holder and all holders of class A exchangeable shares entitled to vote with such holder in the election of directors. A holder may cast all such votes in favor of one candidate or distribute such votes among its candidates in any manner the holder sees fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

Voting Rights of Class A-1 Exchangeable Shares

Except as otherwise required by law, each holder of class A-1 exchangeable shares shall be entitled to notice of, and to attend, any meetings of shareholders of the company (except meetings at which only holders of another specified class or series of shares are entitled to vote), but shall not be entitled to vote at any such meeting. The class A-1 exchangeable shares are non-voting to address certain insurance regulatory restrictions on ownership, but are otherwise intended to be economically equivalent in all respects to our class A exchangeable shares.

Conversion Right of Holders of Class A-1 Exchangeable Shares

Subject to applicable law, a holder of class A-1 exchangeable shares will be entitled, from time to time, to convert their class A-1 exchangeable shares into class A exchangeable shares on a one-for-one basis (the "**Conversion Right**"). No holder will be permitted to convert its class A-1 exchangeable shares, and the company will not authorize or effect any conversions of class A-1 exchangeable shares, unless the requesting holder has provided satisfactory evidence to the company, that either (i) it and its affiliates (as set forth in Rule 12b-2 of the Exchange Act) will not, after giving effect to the conversion, directly or indirectly, beneficially own, control or hold with the power to vote more than 9.9% of the class A exchangeable shares, or (ii) it and its affiliates (as set forth in Rule 12b-2 of the Exchange Act) have received all required regulatory approvals and consents or, if applicable exemptions or waivers, to beneficially own, control or hold with the power to vote more than 9.9% of the class A exchangeable shares, as determined by the company acting reasonably (the "**Regulatory Condition**").

The Conversion Right will be exercisable in accordance with the share conditions, which are attached to the bye-laws. The right of conversion may be exercised, provided the Regulatory Condition is satisfied, by notice in writing given to the transfer agent (a "**Conversion Notice**"), which notice shall specify the number of class A-1 exchangeable shares that the class A-1 exchangeable shareholder desires to have converted. No Conversion Notice will be accepted during (i) the calendar month in which quarterly distributions are paid to the holders of exchangeable shares, or (ii) during the period commencing 10 business days prior to the record date for any special dividend or stock distribution and up to and including on the payment date for such dividend (the "**Conversion Blackout Period**"). Any conversion notice purported to be delivered to the company during a Conversion Blackout Period will be deemed to have been received on the business day immediately following the date on which a Blackout Period expires. A converting holder will have no further right, with respect to any class A-1 exchangeable shares so converted, to receive any distributions on such shares with a record date on or after the Conversion Notice Date, without regard to the time of day on the Conversion Notice Date at which the exchange is completed. For greater certainty, a converting holder will, despite a notice of conversion being delivered, be entitled to receive any distributions on class A exchangeable shares and class A-1 exchangeable shares that have a record date prior to the Conversion Notice Date.

Distributions

The holders of exchangeable shares will be entitled to receive distributions as and when declared by our board subject to receipt of sufficient shareholder approval (where applicable) and the prior rights of the holders of all classes and series of the Class A Senior Preferred Shares and Class B Senior Preferred Shares and any other shares ranking senior to the class A exchangeable shares or class A-1 exchangeable shares with respect to priority in payment of distributions. It is expected that each exchangeable share will receive distributions at the same time and in the same amount as the cash dividends paid on each Brookfield Class A Share.

Subject to the prior rights of holders of all classes and series of Senior Preferred Shares at the time outstanding having prior rights as to distributions, and in preference to the Junior Preferred Shares and class C shares of the company, each exchangeable share will entitle its holder to cumulative distributions per share in an amount equal to (i) the amount of any cash dividend made on a Brookfield Class A Share multiplied by (ii) the exchange factor (which initially shall be one, subject to adjustment in the event of certain dilutive or other capital events by our company or Brookfield Corporation) determined in accordance with our bye-laws and in effect on the payment date of such distribution, which we refer to as the exchangeable distribution. See Item 10.B "Memorandum and Bye-Laws — Exchange by Holder — Adjustments to Reflect Certain Capital Events".

If the full amount of an exchangeable distribution is not paid concurrently with a dividend on the Brookfield Class A Shares, then the unpaid amount of such exchangeable distribution shall accrue and accumulate (without interest), whether or not our company has earnings, whether or not there are funds legally available for the payment thereof and whether or not such exchangeable distribution has been earned, made or authorized. Any exchangeable distribution payment made shall first be credited against the earliest accumulated but unpaid exchangeable distribution due which remains payable, which we refer to as unpaid distributions. All exchangeable distributions shall be paid prior and in preference to any dividends or distributions on the class C shares. The holders of class A exchangeable shares and class A-1 exchangeable shares shall not be entitled to any distributions from our company other than the exchangeable distributions.

The exchangeable shares may be consolidated or split in the event of, and equally with, a share consolidation or stock split of the Brookfield Class A Shares. As an alternative, stock dividends may be paid in lieu of stock splits concurrently with a stock split of the Brookfield Class A Shares. In that case, the stock dividend on the exchangeable shares will be paid in additional exchangeable shares.

Exchange by Holder

At any time before the 15th business day prior to the date of any redemption, holders of exchangeable shares shall have the right to exchange all or a portion of their exchangeable shares with Brookfield Corporation for one Brookfield Class A Share per exchangeable share held (subject to adjustment in the event of certain dilutive or other capital events by our company or Brookfield Corporation as described below in "— Adjustments to Reflect Certain Capital Events") or its cash equivalent based on the NYSE closing price of one Brookfield Class A Share on the date that the request for exchange is received by our transfer agent (or if not a trading day, the next trading day thereafter) plus all unpaid distributions, if any (the form of payment to be determined at the sole election of Brookfield Corporation), subject to certain limitations described below if Brookfield Corporation is unable to maintain an effective registration statement. If you hold exchangeable shares through a broker, please contact your broker to request an exchange on your behalf. If you are a registered holder of exchangeable shares, please contact our transfer agent and follow the process described below.

Pursuant to the Rights Agreement between our company, Brookfield Corporation and Wilmington Trust, National Association, Brookfield Corporation has agreed it will satisfy, or cause to be satisfied, any request made pursuant to our bye-laws to exchange such class A exchangeable shares for Brookfield Class A Shares or its cash equivalent, plus unpaid distributions. Prior to the issuance of any class A-1 exchangeable shares, the Rights Agreement will be amended to provide similar obligations on Brookfield Corporation with regards to any request made pursuant to our bye-laws to exchange the class A-1 exchangeable shares.

The obligation to satisfy a request for exchange is the obligation of Brookfield Corporation, and our company has no obligation to deliver Brookfield Class A Shares or cash, to deliver any unpaid distributions, or to cause Brookfield Corporation to do so.

Each holder of exchangeable shares who wishes to exchange one or more of his or her exchangeable shares with Brookfield Corporation for Brookfield Class A Shares or its cash equivalent is required to complete and deliver a notice of exchange in the form available from our transfer agent. Upon receipt of a notice of exchange, Brookfield Corporation shall, within ten (10) business days after the date that the notice of exchange is received by our transfer agent, or the specified exchange date, deliver to the tendering holder of exchangeable shares, in accordance with instructions set forth in the notice of exchange, one Brookfield Class A Share per exchangeable share held (subject to adjustments in the event of certain capital events by our company or Brookfield Corporation as described below in "— Adjustments to Reflect Certain Capital Events") or its cash equivalent based on the NYSE closing price of one Brookfield Class A Share on the date that the request for exchange is received by our transfer agent (or if not a trading day, the next trading day thereafter) plus all unpaid distributions, if any (the form of payment to be determined at the sole election of Brookfield Corporation). Notwithstanding the foregoing, for so long as there is not an effective registration statement with respect to the delivery of Brookfield Class A Shares in connection with the exchange right, Brookfield Corporation will not be able to effect exchanges for Brookfield Class A Shares and will not be required to effect exchanges for cash that would result in the payment of an amount in excess of $5,000,000 in the aggregate over any 30 consecutive calendar day period; provided that such limit will not apply for more than 90 consecutive calendar days during any 12 calendar month period. Upon completion of the exchange of any exchangeable shares as described herein, the holder of exchangeable shares who has exchanged their exchangeable shares will have no further right, with respect to any exchangeable shares so exchanged, to receive any distributions on the exchangeable shares on or after the date on which such exchangeable shares are exchanged. For greater certainty, a tendering holder will, despite a notice of exchange being delivered, be entitled to receive any distributions on the exchangeable shares that have a record date or otherwise accrued prior to the date on which such notice of exchange is received.

Subject to the limitations on exchange as described above, in the event that a tendering holder of exchangeable shares has not received the number of Brookfield Class A Shares or its cash equivalent (the form of payment to be determined by Brookfield Corporation in its sole discretion) in satisfaction of the tendered exchangeable shares on or prior to the specified exchange date, then, pursuant to the Rights Agreement, the holder of the subject exchangeable shares, or the rights agent, on behalf of the holder of the subject exchangeable shares, will have the right to institute and maintain any suit, action or proceeding against Brookfield Corporation to enforce the obligations of Brookfield Corporation to exchange our exchangeable shares for Brookfield Class A Shares (or their cash equivalent) plus unpaid distributions. The Rights Agreement is available electronically on our SEDAR profile at www.sedar.com. For a further description of the Rights Agreement, see 10.C "Material Contracts — Rights Agreement" and Item 10.B "Memorandum and Bye-Laws — Rights Agreement" for a further description of the Rights Agreement.

No Fractional Shares. No fractional Brookfield Class A Shares will be issued or delivered upon exchange of exchangeable shares. In lieu of any fractional Brookfield Class A Shares to which the tendering holder of exchangeable shares would otherwise be entitled at Brookfield Corporation's election, Brookfield Corporation will pay an amount in cash equal to the Brookfield Class A Share value on the trading day immediately preceding the applicable specified exchange date multiplied by such fraction of a Brookfield Class A Share.

Adjustments to Reflect Certain Capital Events. The exchange factor (which initially shall be one) is subject to adjustment in accordance with our company's bye-laws to reflect certain capital events, including (i) if Brookfield Corporation declares or pays a dividend to its shareholders consisting wholly or partly of Brookfield Class A Shares or if or our company declares or pays a distribution to our shareholders consisting wholly or partly of exchangeable shares, in each case, without a corresponding dividend or distribution, as applicable, being paid by the other entity; (ii) if Brookfield Corporation or our company splits, subdivides, reverse-splits or combines its outstanding Brookfield Class A Shares or exchangeable shares, as applicable, without a corresponding event occurring at the other entity; (iii) if Brookfield Corporation or our company distributes any rights, options or warrants to all or substantially all holders of its Brookfield Class A Shares or exchangeable shares to convert into, exchange for or subscribe for or to purchase or to otherwise acquire Brookfield Class A Shares or exchangeable shares (or other securities or rights convertible into, exchangeable for or exercisable for Brookfield Class A Shares or exchangeable shares), as applicable, without a corresponding distribution of comparable rights, options or warrants by the other entity; (iv) if Brookfield Corporation effects a spin-off, unless a corresponding event (or a distribution/equivalent compensation) occurs at our company in respect of the exchangeable shares; (v) if Brookfield Corporation distributes to all or substantially all holders of Brookfield Class A Shares evidences of its indebtedness or assets (including securities), or rights, options or warrants to convert into, exchange for or subscribe for or to purchase or to otherwise acquire such securities but excluding all distributions where a comparable distribution (or the cash equivalent) is made by our company; or (vi) if Brookfield Corporation or one of its subsidiaries makes a payment in respect of a tender or exchange offer for the Brookfield Class A Shares (but excluding for all purposes any exchange or tender offer to exchange Brookfield Class A Shares for exchangeable shares or any other security economically equivalent to Brookfield Class A Shares), to the extent that the cash and value of any other consideration included in the payment per Brookfield Class A Share exceeds certain thresholds.

Redemption

Our board will have the right, subject to the prior written consent of Brookfield Corporation, as the sole holder of the class C shares, and upon sixty days' prior written notice to holders of exchangeable shares, to redeem all of the then outstanding exchangeable shares at any time and for any reason, in its sole discretion and subject to applicable law, including without limitation following the occurrence of any of the following redemption events: (i) the total number of class A exchangeable shares outstanding decreases by 50% or more over any six-month period; (ii) the daily market value of the class A exchangeable shares (based on the closing price on the NYSE on each trading day) (A) is less than $250 million for more than six consecutive months or (B) decreases by 50% or more from its high over any three-month period; (iii) a person acquires 90% of the Brookfield Class A Shares in a take-over bid (as defined by applicable securities law); (iv) shareholders of Brookfield Corporation approve an acquisition of Brookfield Corporation by way of arrangement, amalgamation or similar transaction; (v) shareholders of Brookfield Corporation approve a restructuring or other reorganization of Brookfield Corporation or a liquidation, insolvency or winding-up of Brookfield Corporation is pending; (vi) there is a pending sale of all or substantially all of Brookfield Corporation's assets; (vii) there is a change of law (whether by legislative, governmental or judicial action), administrative practice or interpretation, or a change in circumstances of our company and our shareholders, that may result in adverse tax consequences for our company or our shareholders; or (viii) our board, in its sole discretion, concludes that the holders of exchangeable shares are adversely impacted by a fact, change or other circumstance relating to our company. For greater certainty, shareholders do not have the ability to vote on such redemption and the board's decision to redeem all of the then outstanding exchangeable shares will be final.

Upon any such redemption event, the holders of exchangeable shares shall be entitled to receive pursuant to such redemption one Brookfield Class A Share per exchangeable share held (subject to adjustment in the event of certain capital events by our company or Brookfield Corporation as described above in "— Exchange by Holder — Adjustments to Reflect Certain Capital Events") or its cash equivalent based on the NYSE closing price of one Brookfield Class A Share on the trading day immediately preceding the announcement of such redemption plus all unpaid distributions, if any (the form of payment to be determined at the election of our company).

Notwithstanding the foregoing, upon any redemption event, Brookfield Corporation may elect to acquire all of the outstanding exchangeable shares in exchange for one Brookfield Class A Share per exchangeable share held (subject to adjustment in the event of certain capital events by our company or Brookfield Corporation as described above in "— Exchange by Holder — Adjustments to Reflect Certain Capital Events") or its cash equivalent based on the NYSE closing price of one Brookfield Class A Share on the trading day immediately preceding the announcement of such redemption plus all unpaid distributions, if any (the form of payment to be determined at the election of Brookfield Corporation). Shareholders are not entitled to vote on Brookfield Corporation's exercise of the overriding call right described in the preceding sentences.

Liquidation

Brookfield Corporation, as the sole holder of our class C shares, will have the right, subject to applicable law, to require our company to commence a liquidation of the company following the occurrence of certain events. See Item 10.B "Memorandum and Bye-Laws — Class C Shares — Liquidation" for more information.

Upon any liquidation, dissolution or winding up of our company or any other distribution of our assets among our shareholders for the purpose of winding up our affairs, including whether substantially concurrent with the liquidation, dissolution or winding up of Brookfield Corporation or any other distribution of Brookfield Corporation's assets among its shareholders for the purpose of winding up its affairs, and subject to the prior rights of holders of all classes and series of Senior Preferred Shares and any other class of shares of our company ranking in priority or ratably with the exchangeable shares and after the payment in full of any unpaid distributions, the holders of exchangeable shares shall be entitled to one Brookfield Class A Share per exchangeable share held (subject to adjustment in the event of certain capital events by our company or Brookfield Corporation as described above in "— Exchange by Holder — Adjustments to Reflect Certain Capital Events") or its cash equivalent based on the NYSE closing price of one Brookfield Class A Share on the trading day immediately preceding announcement of such liquidation, dissolution or winding up (the form of payment to be determined at the election of our company). If, upon any such liquidation, dissolution or winding up, the assets of our company are insufficient to make such payment in full, then the assets of our company will be distributed among the holders of exchangeable shares and class B shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled to receive.

Notwithstanding the foregoing, upon any liquidation, dissolution or winding up of our company, Brookfield Corporation may elect to acquire all but not less than all of the outstanding exchangeable shares for one Brookfield Class A Share per exchangeable share (subject to adjustment in the event of certain capital events by our company or Brookfield Corporation as described above in "— Exchange by Holder — Adjustments to Reflect Certain Capital Events") plus all unpaid distributions, if any. The acquisition by Brookfield Corporation of all the outstanding exchangeable shares will occur on the day prior to the effective date of the liquidation, dissolution or winding up of our company. Shareholders are not entitled to vote on Brookfield Corporation's exercise of the overriding call right described in the preceding sentences.

Book-Based System

The exchangeable shares may be represented in the form of one or more fully registered share certificates held by, or on behalf of, CDS or DTC, as applicable, as custodian of such certificates for the participants of CDS or DTC, registered in the name of CDS or DTC or their respective nominee, and registration of ownership and transfers of the exchangeable shares may be effected through the book-based system administered by CDS or DTC, as applicable.

Treatment of Exchangeable Shares in Connection with a Takeover Bid, Issuer Bid or Tender Offer

The exchangeable shares are not Brookfield Class A Shares and will not be treated as Brookfield Class A Shares for purposes of the application of applicable Canadian and U.S. rules relating to takeover bids, issuer bids and tender offers. Neither, Brookfield Class A Shares, the class A exchangeable shares or the class A-1 exchangeable shares are securities of the same class. As a result, holders of exchangeable shares will not be entitled to participate in an offer or bid made to acquire Brookfield Class A Shares, unless such offer is extended to holders of class A exchangeable shares and holders of the class A-1 exchangeable shares and holders of Brookfield Class A Shares will not be entitled to participate in an offer or bid made to acquire class A exchangeable shares or class A-1 exchangeable shares, unless such offer is extended to holders of Brookfield Class A Shares. In the event of a takeover bid for Brookfield Class A Shares, a holder of exchangeable shares who would like to participate would be required to first tender his or her exchangeable shares for exchange, in order to receive a Brookfield Class A Share, or the cash equivalent, at the election of Brookfield Corporation, pursuant to the exchange right. If an issuer tender offer or issuer bid is made for the Brookfield Class A Shares at a price in excess of the market price of the Brookfield Class A Shares and a comparable offer is not made for the exchangeable shares, then the exchange factor for the exchangeable shares may be adjusted. See "— Exchange by Holder — Adjustments to Reflect Certain Capital Events" above for more information on the circumstances in which adjustments may be made to the exchange factor.

Choice of Forum for Bermuda Act and U.S. Securities Act Claims

Pursuant to our bye-laws, unless we consent in writing to the selection of an alternative forum (and our company will always provide such consent with respect to the Superior Court of Justice of the Province of Ontario, Canada and appellate Courts thereof), the Supreme Court of Bermuda shall, to the fullest extent permitted by law, be the sole and exclusive forum for any dispute that arises concerning the Bermuda Act or out of or in connection with our bye-laws, including any question regarding the existence and scope of our bye-laws and/or whether there has been any breach of the Bermuda Act or our bye-laws by an officer or director (i.e., the Bermuda Forum Provision.) The Bermuda Forum Provision will not apply to any causes of action arising under the U.S. Securities Act or the U.S. Exchange Act. In addition, our bye-laws further provide that unless we consent in writing to the selection of an alternative forum, the federal courts of the United States shall be the sole and exclusive forum for resolving any complaint filed in the United States asserting a cause of action arising under the U.S. Securities Act (i.e., the U.S. Federal Forum Provision). Our bye-laws provide that any person or entity purchasing or otherwise acquiring any interest in our exchangeable shares is deemed to have notice of and consented to the Bermuda Forum Provision and the U.S. Federal Forum Provision; provided, however, that shareholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder. The Bermuda Forum Provision and the U.S. Federal Forum Provision in our bye-laws may impose additional litigation costs on shareholders in pursuing any such claims. Additionally, the forum selection clauses in our bye-laws may limit our shareholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage the filing of lawsuits against us and our directors, officers and employees, even though an action, if successful, might benefit our shareholders. See Item 3.D "Risk Factors — Risks Relating to the Exchangeable Shares — Our bye-laws designate specific courts in Bermuda as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a desired judicial forum for disputes with us."

Class B Shares

The following description of class B shares sets forth certain general terms and provisions of class B shares. This description is in all respects subject to and qualified in its entirety by reference to applicable law and the provisions of our company's bye-laws. All of the outstanding class B shares are held, collectively, by the Class B Partners.

Voting

Each holder of class B shares will be entitled to receive notice of, and to attend and vote at, all meetings of our shareholders, other than meetings at which only holders of a specified class or series of shares are entitled to vote or as otherwise required by law. Each holder of class B shares will be entitled to cast one vote for each class B share held at the record date for determination of shareholders entitled to vote on any matter.

Except as set out below under "— Election of Directors" below, or as otherwise expressly provided in our bye-laws or as required by law, all matters to be approved by shareholders must be approved by: (i) a majority or, where a higher threshold is specified under applicable law, the higher percentage of the votes cast by holders of class B shares who vote in respect of the resolution, and (ii) a majority or, where a higher threshold is specified under applicable law, the higher percentage of the votes cast by holders of class A exchangeable shares who vote in respect of the resolution.

Election of Directors

In the election of directors, holders of class B shares will be entitled to elect one-half of the board. Our bye-laws provide that each holder of a class B share has the right to cast a number of votes equal to the number of votes attached to the class B shares held by the holder multiplied by the number of directors to be elected by the holder and all holders of class B shares entitled to vote with such holder in the election of directors. A holder may cast all such votes in favor of one candidate or distribute such votes among its candidates in any manner the holder sees fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

Distributions

The holders of class B shares will be entitled to the same distributions as the exchangeable shares as described above, and the class B shares rank *pari passu* with the exchangeable shares with respect to the payment of distributions (if, as and when made by our board). In the event a distribution is paid on the exchangeable shares, the board shall, subject to applicable law, contemporaneously pay an equivalent distribution on the class B shares.

Liquidation

Upon a liquidation, dissolution or winding-up of our company, holders of class B shares will be entitled to the same rights as holders of exchangeable shares described above and rank on parity with the exchangeable shares.

Restrictions on Transfer

The class B shares may only be held by the Class B Partners, a company controlled by one or more of the Partners or Brookfield. However, Brookfield does not currently have any intention to hold any class B shares.

Class C Shares

The following description of class C shares sets forth certain general terms and provisions of class C shares. This description is in all respects subject to and qualified in its entirety by reference to applicable law and the provisions of our company's memorandum of association or bye-laws. All of the outstanding class C shares will be held by Brookfield Corporation.

Voting

Except as described below or as required by law, the holder of the class C shares shall be entitled to notice of, and to attend, any meetings of shareholders of the company, but shall not otherwise be entitled to vote at any such meetings. Under our memorandum of association and bye-laws, the holder of the class C shares will be entitled to consent to (a) any redemption of the class A exchangeable shares by our company; (b) any amendment to our memorandum of association or bye-laws, including, for greater certainty, the terms attached to the class A exchangeable shares, class A-1 exchangeable shares, the class B shares or any other shares ranking senior to the class C shares; (c) any merger or similar reorganization of the company (including a sale of all or substantially all of its assets); (d) a continuance to another jurisdiction of incorporation; or (e) the commencement of a voluntarily liquidation of our company.

Distributions

The holder of class C shares will be entitled to receive distributions as and when declared by our board subject to the prior rights of the holders of all classes and series of the Preferred Shares, class A exchangeable shares, class A-1 exchangeable shares, class B shares, and any other shares ranking senior to the class C shares with respect to priority in payment of distributions. The holder of our class C shares will be entitled to receive distributions if, as and when declared or authorized. Our board has adopted a policy that class C share distributions will be paid quarterly in an amount equal to our company's distributable earnings (as determined by management of our company) after payment of distributions on the class A exchangeable shares, class A-1 exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after reasonable provision for any other applicable obligations and commitments.

The class C shares will not be consolidated or split in the event of, and equally with, a share consolidation or stock split of the Brookfield Class A Shares unless the holder of class C shares agrees to such split or consolidation.

Liquidation

The holder of class C shares will have the right, subject to applicable law, to resolve that our company commence a voluntary liquidation of the company following the occurrence of any of the following events: (i) the total number of class A exchangeable shares outstanding decreases by 50% or more over any six-month period; (ii) the daily market value of the class A exchangeable shares (based on the closing price on each trading day) (A) is less than $250 million for more than six consecutive months or (B) decreases by 50% or more from its high over any three-month period; (iii) a person acquires 90% of the Brookfield Class A Shares in a take-over bid (as defined by applicable securities law); (iv) the shareholders of Brookfield Corporation approve a sale of all or substantially all of the assets of Brookfield Corporation or an acquisition of Brookfield Corporation by way of arrangement, amalgamation or similar transaction; (v) the shareholders of Brookfield Corporation approve a restructuring or other reorganization of Brookfield Corporation or the liquidation, dissolution or winding up of Brookfield Corporation, or any other distribution of Brookfield Corporation's assets among its shareholders for the purpose of winding up its affairs, is pending; (vi) there is a change of law (whether by legislative, governmental or judicial action), administrative practice or interpretation, or a change in circumstances of our company and our shareholders, that may result in adverse tax consequences for our company or our shareholders; (vii) the holder, in good faith, concludes that it is materially adversely impacted by an external fact unrelated to the company, a change, or other circumstance relating to the company or Brookfield that was not known to it on the effective date of the special dividend; or (viii) on any day during the months of January and June commencing in 2022 and every year thereafter, more than 20% of the total number of the class A exchangeable shares outstanding are controlled by one person or group of persons acting jointly or in concert within the meaning of applicable securities laws; provided that, in the case of all circumstances other than (ii), the circumstance cannot be cured within a period of 30 days. The foregoing right will only be exercisable following the expiration of such cure period (or in the case of (ii), following the occurrence of the event) and shall expire (A) in the case of all circumstances other than (viii), on the 90th day thereafter, (B) in the case of (viii), on the 60th day thereafter, and (C) in the case of (viii), the right will only be exercisable in the event that more than 20% of the total number of class A exchangeable shares outstanding are controlled by one person or group of persons acting jointly and in concert within the meaning of applicable securities laws at the time such right is exercised. For greater certainty, no consent or resolution of the class A exchangeable shares, class B shares, or any other class of shares will be required in connection with the commencement of such liquidation by the holder of the class C shares.

Any liquidation of our company pursuant to the foregoing will be subject to no less than 60 days' prior written notice of the date of liquidation being provided to holders of class A exchangeable shares.

Upon any liquidation, dissolution or winding up of our company, subject to the prior rights of holders of Preferred Shares and after the payment in full of the amount due to the holders of class A exchangeable shares and class B shares described in Item 10.B "Memorandum and Bye-Laws — Class A Exchangeable Shares and Class A-1 Exchangeable Shares and Class B Shares — Liquidation", the remaining assets and property of our company will be distributed among the holders of class C shares.

Conversion of Tendered Class A Exchangeable Shares

Subject to applicable law, the holder of class C shares will be entitled, from time to time, to convert any exchangeable shares held by it or its subsidiaries into class C shares. The number of class C shares (which may include a fraction of a class C share) that will be received on conversion of any exchangeable share will be equal to the number obtained by dividing the fair market value of a class A exchangeable share or class A-1 exchangeable shares, as applicable, by the fair market value of a class C share, in each case as determined by the board, which we refer to as the conversion number. If the conversion number from time to time is not equal to one (1), then the conversion will include any necessary subdivision or consolidation necessary to convert the class A exchangeable shares or class A-1 exchangeable shares in the conversion number of class C shares.

Restrictions on Transfer

The class C shares may only be transferred within Brookfield.

Class A Junior Preferred Shares, Series 1 and Class A Junior Preferred Shares, Series 2

The following description of the Class A Junior Preferred Shares, Series 1 and Class A Junior Preferred Shares, Series 2 (the "**Issued Class A Junior Preferred Shares**") sets forth certain general terms and provisions of the Issued Class A Junior Preferred Shares. This description is in all respects subject to and qualified in its entirety by reference to applicable law and the provisions of our memorandum of association, bye-laws or the respective certificate of designation. As of the date of this Form 20-F, there were 98,351,547 Class A Junior Preferred Shares, Series 1 and 2,108,733 Class A Junior Preferred Shares, Series 2 outstanding. For a full description of the designation, preferences and privileges, voting rights, relative, participating, optional and other special rights, and qualifications, limitations and restrictions of the Issued Class A Junior Preferred Shares, in addition to those set forth in our bye-laws, please refer to the certificates of designation for the Class A Junior Preferred Shares, Series 1 and the Class A Junior Preferred Shares, Series 2, copies of which are available on our website at https://bnre.brookfield.com and on our SEDAR profile at www.sedar.com and EDGAR profile at www.sec.gov.

Ranking

The Issued Class A Junior Preferred Shares rank, with respect to the payment of distributions and return of capital upon any liquidation, dissolution, winding up of our company or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, on (a) parity with the Junior Preferred Shares of every other series, (b) junior to the Senior Preferred Shares, the class A exchangeable shares, the class A-1 exchangeable shares and the class B shares, and (c) senior to the class C shares and over any other shares ranking junior to the Issued Class A Junior Preferred Shares with respect to priority in payment of distributions and in return of capital upon any liquidation, dissolution, winding up of our company or any other distribution of its assets among its shareholders for the purpose of winding up its affairs.

Distributions

The holder of Issued Class A Junior Preferred Shares is entitled to receive, as and when declared by our board, an annual fixed cumulative preferential cash distribution of US$1.125 per Issued Class A Junior Preferred Share.

Voting

Except as otherwise expressly provided in the certification of designation, the bye-laws, or as required by law, the holder of Issued Class A Junior Preferred Shares is not entitled to receive notice of, to attend, or to vote at any meeting of our shareholders.

Redemption

Subject to the provisions of the Bermuda Act, the bye-laws, and to the rights, privileges, restrictions and conditions attaching to any other class or shares of our company ranking in priority to the Issued Class A Junior Preferred Shares, our company may, upon giving notice redeem the whole or from time to time any part of the then outstanding Issued Class A Junior Preferred Shares on payment for each share to be redeemed of a price of US$25.00 together with an amount equal to all accrued and unpaid distributions thereon up to but excluding the date fixed for redemption. In case a part only of the Issued Class A Junior Preferred Shares is at any time to be redeemed, the shares to be redeemed shall be selected by lot or in such other manner as determined, from time to time, by our board.

In any case of redemption of Issued Class A Junior Preferred Shares, our company shall not less than fifteen (15) days and not more than thirty (30) days prior to the date specified for redemption send a notice in writing of the intention of our company to redeem such Issued Class A Junior Preferred Shares to each holder of Issued Class A Junior Preferred Shares. Such notice shall set out the number of Issued Class A Junior Preferred Shares held by the person to whom it is addressed which are to be redeemed, the redemption price, the date specified for redemption and the place or places at which holders of Issued Class A Junior Preferred Shares may present and surrender such shares for redemption. From and after the date specified for redemption in any such notice of redemption, the Issued Class A Junior Preferred Shares called for redemption shall cease to be entitled to distributions or any other participation in the assets of our company and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation and surrender of the certificate(s) or notice of uncertificated securities, as applicable, representing such Issued Class A Junior Preferred Shares, in which case the rights of the holders shall remain unaffected.

Purchase for Cancelation

Subject to the provisions of the Bermuda Act and the bye-laws, our company may purchase for cancellation at any time all or from time to time any part of the outstanding Issued Class A Junior Preferred Shares by way of private contract or by invitation for tenders addressed to all the holders of Issued Class A Junior Preferred Shares then outstanding, at the lowest price or prices at which, in the opinion of the board, such shares are then obtainable but not exceeding a price per share equal to the then applicable redemption price, plus the costs of purchase.

Liquidation

Except as provided by the Bermuda Act and the current bye-laws of our company, upon any liquidation, dissolution, winding up of our company or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, the holders of the Issued Class A Junior Preferred Shares shall be entitled to receive from the assets of our company a sum equal to US$25.00 for each Issued Class A Junior Preferred Share held by them respectively, plus an amount equal to all accrued and unpaid distributions thereon before any amount will be paid to or assets of our company distributed amongst the holders of any shares of our company ranking as to capital junior to the Issued Class A Junior Preferred Shares. After payment to the holders of the Issued Class A Junior Preferred Shares of the amounts so payable to them, they will not be entitled to share in any further distribution of the assets of our company.

Transfer Restrictions

The Issued Class A Junior Preferred Shares may not be transferred to any person other than to Brookfield Corporation or a person controlled by Brookfield Corporation.

Approval of Holders of Preferred Shares

Subject to the terms of the bye-laws and the Bermuda Act, rights conferred upon the holders of Issued Class A Junior Preferred Shares shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith. The approval of the holders of the Issued Class A Junior Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Class A Junior Preferred Shares as a series or in respect of any other matter requiring the consent of the holders of the Junior Preferred Shares may be given in such manner as may then be required by Law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of the Issued Class A Junior Preferred Shares or passed by the affirmative vote of at least 66 2/3% of the votes cast at a meeting of the holders of the Junior Preferred Shares duly called for that purpose. On every poll taken at every meeting of the holders of the Issued Class A Junior Preferred Shares as a series, or at any joint meeting of the holders of two (2) or more series of Junior Preferred Shares, each holder of Issued Class A Junior Preferred Shares entitled to vote thereat shall have one vote in respect of each Issued Class A Junior Preferred Shares held.

Preferred Shares

The following description of Preferred Shares sets forth certain general terms and provisions of Senior Preferred Shares and the Junior Preferred Shares. This description is in all respects subject to and qualified in its entirety by reference to applicable law and the provisions of our memorandum of association or bye-laws.

Priority

Each series of Senior Preferred Shares rank on a parity with every other series of Senior Preferred Shares with respect to distributions, and each series of Junior Preferred Shares rank on a parity with every other series of Junior Preferred Shares with respect to distributions.

The Senior Preferred Shares shall be entitled to a preference over the Junior Preferred Shares, the class A exchangeable shares, class A-1 exchangeable shares, the class B shares, the class C shares and any other shares ranking junior to the Senior Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, or any other distribution of the assets of our company among our shareholders for the specific purpose of winding up our affairs.

So long as any Senior Preferred Shares are outstanding, our company will not, without the approval of the holder(s) of the Senior Preferred Shares make, pay or set apart for payment any distributions on any class A exchangeable shares, class A-1 exchangeable shares, class B shares, class C shares or Junior Preferred Shares or any other shares ranking behind the Senior Preferred Shares, or purchase or otherwise retire for value any such junior-ranking shares, unless in each case, all distributions on the Senior Preferred Shares and any other shares of our company ranking as to dividends prior to or on a parity with the Senior Preferred Shares are current and our company is not otherwise in default under the rights, privileges, restrictions and conditions attached to the Senior Preferred Shares and any other shares of our company ranking as to distributions prior to or on a parity with the Senior Preferred Shares.

The Junior Preferred Shares shall be entitled to a preference over the class C shares, and after the Senior Preferred Shares, the class A exchangeable shares, class A-1 exchangeable shares, the class B shares, and any other senior-ranking shares outstanding from time to time, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, or any other distribution of the assets of our company among our shareholders for the specific purpose of winding up our affairs.

Directors' Right to Issue in One or More Series

The Preferred Shares may be issued at any time and from time to time in one or more series. Before any shares of a series are issued, our board shall fix the number of shares that will form such series, if any, and shall, subject to any limitations set out in our memorandum of association or bye-laws or in applicable law, determine the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares as the case may be, of such series.

Voting

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Preferred Shares, the holders of such Preferred Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of our shareholders.

Amendment with Approval of Holder of Preferred Shares

The rights, privileges, restrictions and conditions attached to the Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of such class of Preferred Shares given as hereinafter specified and subject to applicable law.

Approval of Holders of Preferred Shares

The approval of the holders of a class of Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to such class of Preferred Shares as a class or in respect of any other matter requiring the consent of the holders of such class of Preferred Shares may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of such class of Preferred Shares or passed by the affirmative vote of at least two-thirds (2/3rds) of the votes cast at a meeting of the holders of such class of Preferred Shares duly called for that purpose.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting, the quorum required therefor and the conduct thereof shall be those from time to time required by applicable law as in force at the time of the meeting and those, if any, prescribed by our memorandum of association or bye-laws with respect to meetings of shareholders. On every poll taken at every meeting of the holders of a class of Preferred Shares as a class, or at any joint meeting of the holders of two or more series of a class of Preferred Shares, each holder of such class of Preferred Shares entitled to vote thereat shall have one vote in respect of each such Preferred Share held.

Rights Agreement

Brookfield Corporation and our company have entered into the Rights Agreement with the rights agent pursuant to which Brookfield Corporation has agreed that Brookfield Corporation will satisfy, or will cause to be satisfied, the obligations pursuant to our bye-laws to exchange our exchangeable shares for Brookfield Class A Shares (or their cash equivalent) plus unpaid distributions. The Rights Agreement is available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

The Rights Agent and the Exchange Right

Pursuant to and subject to the terms and conditions set forth in our bye-laws and the Rights Agreement, holders of exchangeable shares may request to exchange all or a portion of their exchangeable shares with Brookfield Corporation for one Brookfield Class A Share per exchangeable share held (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the election of Brookfield Corporation) plus unpaid distributions, if any. See Item 10.B "Memorandum and Bye-Laws — Exchange by Holder".

Upon receipt of a notice of exchange, Brookfield Corporation will, within ten (10) business days after the date that the notice of exchange is received by our transfer agent, which we refer to as the specified exchange date, deliver or cause to be delivered to the tendering holder of exchangeable shares, such Brookfield Class A Shares or the cash amount. Pursuant to the Rights Agreement, Brookfield Corporation has agreed that Brookfield Corporation will satisfy, or cause to be satisfied, the obligations pursuant to our bye-laws to exchange such subject exchangeable shares for Brookfield Class A Shares (or the cash amount) plus unpaid distributions.

However, for so long as there is not an effective registration statement with respect to the delivery of Brookfield Class A Shares in connection with the exchange right, Brookfield Corporation will not be able to effect exchanges for Brookfield Class A Shares and will not be required to effect exchanges for cash that would result in the payment of an amount in excess of $5,000,000 in the aggregate over any 30 consecutive calendar day period; provided that such limit will not apply for more than 90 consecutive calendar days during any 12 calendar month period. **As a result, in these circumstances, holders of exchangeable shares may experience a delay in receiving cash on exercise of the exchange right.**

The exchange right is a part of the terms of the exchangeable shares and may not be evidenced, transferred or assigned separate or apart from the exchangeable shares.

Satisfaction of Exchange Right

Our bye-laws provide that our company is required to deliver a notice, which we refer to as a company notice, to the rights agent and Brookfield Corporation on receipt of any notice of exchange. The company notice must set forth the identity of the tendering holder of exchangeable shares, the share amount and the cash amount for such subject exchangeable shares and any necessary wire transfer or other delivery instructions. The Rights Agreement provides that, following receipt of the company notice, Brookfield Corporation will deliver, or caused to be delivered, on or prior to the applicable specified exchange date with respect to any tendered exchangeable shares, the share amount or the cash amount.

Subject to the limitations described above, if Brookfield Corporation has failed to deliver, or failed to cause to be delivered, the share amount or cash amount on or prior to the specified exchange date, the holder of the subject exchangeable shares or the rights agent, on behalf of the holder of the subject exchangeable shares, without the consent of any holder of exchangeable shares, shall have the right pursuant to the Rights Agreement to institute and maintain any suit, action or proceeding against Brookfield Corporation in any court of competent jurisdiction to enforce, or otherwise act in respect of, the obligations of Brookfield Corporation to exchange our exchangeable shares for Brookfield Class A Shares (or their cash equivalent) plus unpaid distributions. The rights agent may engage one or more co-agents in connection with instituting or maintaining any such action.

Receipt of Subject Exchangeable Shares; Withholding

Holders of subject exchangeable shares will deliver such exchangeable shares free and clear of all liens, claims and encumbrances, and should any such liens, claims and encumbrances exist with respect to such subject exchangeable shares, the holder of such subject exchangeable shares will not be entitled to exercise its exchange rights with respect to such shares. Each holder of subject exchangeable shares will pay to Brookfield Corporation the amount of any tax withholding due upon the exchange of such shares and, in the event Brookfield Corporation elects to acquire some or all of the subject exchangeable shares in exchange for the cash amount, will authorize Brookfield Corporation to retain a portion of the cash amount to satisfy tax withholding obligations. If Brookfield Corporation elects to acquire some or all of the subject exchangeable shares in exchange for the share amount, Brookfield Corporation may elect to either satisfy the amount of any tax withholding by retaining Brookfield Class A Shares with a fair market value equal to the amount of such obligation, or satisfy such tax withholding obligation using amounts paid by Brookfield Corporation, which amounts will be treated as a loan by Brookfield Corporation to the holder of the subject exchangeable shares, in each case, unless the holder, at the holder's election, has made arrangements to pay the amount of any such tax withholding.

Brookfield Class A Shares Record Date

Each former holder of subject exchangeable shares who receives the share amount will be deemed to have become the owner of the Brookfield Class A Shares as of the date upon which such subject exchangeable shares are duly surrendered.

Termination or Amendment

The Rights Agreement has a perpetual term and will terminate automatically on the earlier of such time as (i) no exchangeable shares (or securities or rights convertible into or exchangeable for or carrying rights to acquire exchangeable shares) are held by any person other than Brookfield and (ii) an amendment to the terms of the exchangeable shares that eliminates the right of the holders to exchange the exchangeable shares for Brookfield Class A Shares or its cash equivalent (plus unpaid distributions).

Brookfield Corporation may not materially amend, modify, or alter the Rights Agreement or repeal, terminate or waive any rights under the Rights Agreement, without approval by (a) the holders of the exchangeable shares not held by Brookfield and the holders of the class B shares, each voting as a class (with an approval threshold of a majority of the votes cast by each class) and (b) the board of directors of Brookfield Corporation.

Comparison of the Rights of Holders of Class A Exchangeable Shares and Brookfield Class A Shares

The rights of holders of Brookfield Class A Shares, are governed by the OBCA and Brookfield Corporation's articles of amalgamation and by-laws. The rights of holders the class A exchangeable shares are governed by Bermuda law, its memorandum of association and bye-laws.

The following comparison is a summary of certain material differences between the rights of holders of class A exchangeable shares and holders of the Brookfield Class A Shares under the governing documents of our company and Brookfield Corporation, respectively, and the applicable laws noted above. The following summary is qualified in its entirety by reference to the relevant provisions of (i) the Bermuda Act, (ii) the OBCA, (iii) our company's memorandum of association and bye-laws, and (iv) the articles and by-laws of Brookfield Corporation.

This section does not include a complete description of all of the differences between the rights of holders of class A exchangeable shares and holders of the Brookfield Class A Shares, nor does it include a complete description of the specific rights of such holders. Furthermore, the identification of some of the differences in the rights of such holders is not intended to indicate that other differences that may be equally important do not exist. You are urged to read carefully the relevant provisions of Bermuda law and Ontario law, as well as the governing documents of each of our company and Brookfield Corporation, each as amended, restated, supplemented or otherwise modified from time to time, copies of which are available, without charge, to any person and are available on the SEC website at www.sec.gov or on SEDAR at www.sedar.com.

Charter Documents

Under the OBCA, a corporation's charter documents consist of "articles of incorporation", which set forth the name of the corporation and the amount and type of authorized capital, and the "by-laws", which govern the management of the corporation.

Under the Bermuda Act, the charter documents consist of a "memorandum of association", which sets forth, among other things, the name of the company and the amount and type of authorized share capital, and "bye-laws", which govern the management of the company.

Shareholder Resolution Approvals

Under the OBCA, the vote of shareholders required to pass a resolution is typically a majority or two-thirds of the votes cast on the resolution, depending upon the action being voted upon. A "special resolution" is a resolution passed by not less than two-thirds of the votes cast by the shareholders who voted in respect of that resolution, or that is signed by all the shareholders entitled to vote on that resolution. Matters requiring approval by special resolution include most amendments to the articles, approval of an amalgamation agreement, authorizing continuance in another jurisdiction, authorizing the sale, lease or exchange of all or substantially all of the corporation's assets except in the ordinary course of business, authorizing the voluntary liquidation and dissolution of the corporation, authorizing a reduction of stated capital in certain cases, and authorizing approval of additions to the stated capital. Matters requiring approval by a majority of the votes cast include confirmation, rejection or amendment of by-laws, and removal of directors. Only a single vote in favor is required to vote for the election of directors or auditors in an uncontested situation (but subject to the terms of any majority voting policy in respect of director elections).

Under the Bermuda Act, in addition to the election of directors, the approval of the shareholders of a company is required for, among other things, the following matters: (i) discontinuance of a company out of Bermuda to another jurisdiction; (ii) appointment of the auditor; (iii) alteration of the memorandum of association and bye-laws; (iv) an increase or reduction of capital; (v) removal of directors; and (vi) voluntary winding up or dissolution. Generally, the vote of shareholders required to pass resolutions approving matters is a simple majority of votes cast at a meeting (or such other percentage vote as is specified in the bye-laws). However, a narrow set of other matters require higher majorities under the Bermuda Act including loans to directors and statutory schemes of arrangements. Further, there are circumstances under the Bermuda Act where shareholders are permitted to vote, whether or not their shares carry the right to vote, such as the alteration of the rights attached to their class of shares, amalgamations or mergers.

Our company's bye-laws provide that any alteration of its memorandum of association and bye-laws, including any variation in the terms attached to any class of shares, or an amalgamation or merger (other than with a wholly-owned subsidiary) is subject to the approval by a majority of the votes cast on the resolution (instead of two-thirds as would generally be required under the OBCA). Our bye-laws further provide that, Brookfield Corporation, as the sole holder of our class C shares, is entitled to consent to resolutions relating to a number of fundamental matters and will have the right, subject to applicable law, to require us to commence a members' voluntary liquidation of our company following the occurrence of certain events. For greater certainty, no consent or resolution of the class A exchangeable shares, class B shares, or any other class of shares will be required in connection with the commencement of such members' voluntary liquidation by the holder of the class C shares.

Under our company's bye-laws, in addition to the approval by the board of directors, and consistent with Brookfield Corporation, any matter requiring the approval of holders of shares (excluding those matters that only require approval of our company's class C shareholder) must be approved by a majority or, where a higher threshold is specified under applicable law, the higher percentage of the votes cast by holders of the class A exchangeable shares who vote in respect of the resolution; and by a majority or, where a higher threshold is specified under applicable law, the higher percentage of the votes cast by holders of class B shares who vote in respect of the resolution.

Further, like Brookfield Corporation, with respect to the election of directors, our company's bye-laws provide for cumulative voting and our company has adopted a majority voting policy consistent with TSX requirements. See "— Cumulative Voting" below.

Annulment of Amendments to Charter Documents

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of a company's issued share capital or any class thereof have the right to apply to the Bermuda courts for an annulment of any amendment to the memorandum of association adopted by shareholders at any general meeting. Upon such application, the alteration may only take effect when, and insofar as, it is confirmed by the Bermuda court. The Bermuda court may annul or confirm the amendment in question, either wholly or in part, and on such terms and conditions as it thinks fit. An application for an annulment of an amendment to the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No such application may be made by shareholders voting in favor of the amendment or those who have given the company a statement recognizing receipt of notice and consenting to the amendment in writing. Furthermore, no application may be made in respect of an amendment that alters or reduces a company's share capital.

Shareholder Rights to Requisition Meetings

The OBCA permits the holders of not less than 5% of the issued shares of a corporation that carry the right to vote to require the directors to call and hold a meeting of the shareholders of the corporation for the purposes stated in the requisition. Subject to certain exceptions, if the directors fail to provide notice of a meeting within 21 days of receiving the requisition, any shareholder who signed the requisition may call the meeting.

Under the Bermuda Act, holders of not less than one-tenth of the paid-up capital of the company that carry the right to vote can require the directors to convene a special general meeting of the company for the purposes stated in the requisition. If the directors do not within 21 days of the date of deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the meeting, but any meeting so convened shall not be held after the expiration of three months.

Shareholder Proposals

Under the OBCA, a registered or beneficial shareholder entitled to vote at a meeting of shareholders may submit to a notice of any proposal to be raised at the meeting. If the corporation solicits proxies in connection with the meeting, the corporation shall set out the proposal in the management information circular for the meeting; provided that, among other things: (i) it is submitted at least 60 days before the anniversary of the date of the previous annual meeting, or, if the matter is proposed to be raised at a meeting other than the annual meeting, the date of a meeting other than the annual meeting; (ii) it has not been submitted in the last five years and did not obtain the required level of support; (iii) the person submitting the proposal is the registered or beneficial owner of shares that are entitled to be voted at a meeting of shareholders; and (iv) the right to submit a proposal is not being abused to enforce a personal claim or redress a personal grievance against the corporation or its directors, officers or securityholders. A proposal may include nominations for the election of directors if it is signed by holders of not less than 5% of the shares or 5% of the shares of a class or series of shares of the corporation entitled to vote at the meeting.

As noted above, under the Bermuda Act, shareholders holding not less than one-tenth of the paid-up capital of the company carrying the right of voting at general meetings of the company may requisition a special meeting of shareholders. In addition, a company must give to its shareholders entitled to receive notice of the next annual general meeting notice of any resolutions which may be moved at that meeting (including the removal and appointment of directors), and must circulate to shareholders entitled to have notice of any general meeting any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The number of shareholders necessary for this latter requisition is either: (i) any number of registered shareholders representing not less than one-twentieth (or 5%) of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than one hundred shareholders.

Shareholder Action by Written Consent

Under the OBCA, a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders.

Under the Bermuda Act and our bye-laws, any action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing. Such a written resolution may be validly passed, if consented to in writing by shareholders holding shares to which are attached such majority of the votes as would be required if the resolution had been voted on at a meeting of the shareholders.

Inspection Rights

Under the OBCA, a shareholder of a corporation and the shareholder's agents and legal representatives have the right to inspect copies of the following during the usual business hours of the corporation, free of charge: (i) the articles and the by-laws and all amendments thereto, and a copy of any unanimous shareholder agreement known to the directors; (ii) minutes of meetings and resolutions of shareholders; (iii) a register of directors which sets out the names and residence addresses, while directors, including the street and number, if any, of all persons who are or have been directors of the corporation with the dates on which each became or ceased to be a director; (iv) a securities register; and (v) a register of ownership interests in land in Ontario. A shareholder has the right to obtain, free of charge, one copy of the articles, by-laws and unanimous shareholders' agreement of a corporation, including amendments. Applicants who are shareholders of an OBCA corporation, their agents and legal representatives and, where the corporation is an offering corporation, any other person, may require the corporation to furnish a registered shareholder list to the applicant upon payment of a reasonable fee and delivery of a statutory declaration as to the name and address of the applicant and to the effect that such list will not be used except in connection with an effort to influence voting by shareholders of the corporation, an offer to acquire shares of the corporation or any other matter relating to the affairs of the corporation. In addition, under the OBCA, a security holder of a corporation may apply to the Superior Court of Justice of Ontario for an order directing that an investigation be made of a corporation or of any affiliated corporation.

Under the Bermuda Act, a shareholder of a company may request in writing to inspect during normal business hours the share register and the register of directors and officers of the company, minutes of general shareholder meetings of the company and to receive copies of the same. Upon refusal of the request, the shareholder may apply to the Supreme Court of Bermuda for an order allowing inspection. The share register and register of directors and officers are open for inspection by members of the public. As provided under the Bermuda Act, a company may keep one or more overseas or branch registers in any place which may also be open for inspection by members of the public. The Bermuda Act provides that any member of the public may request a copy of the company's shareholder register, or of any part thereof, on payment of a prescribed nominal fee.

Dividends and Repurchases of Shares

Under the OBCA, the directors may declare, and the corporation may pay a dividend by issuing fully paid shares of the corporation and, subject to the solvency test described in the following sentence, a corporation may pay a dividend in money or property. The directors are prohibited from declaring and the corporation is prohibited from paying a dividend if there are reasonable grounds for believing that the corporation is or, after the payment would be, unable to pay its liabilities as they become due, or if the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and its stated capital of all classes. The OBCA also permits a corporation, subject to its articles, to purchase or otherwise acquire any of its issued shares, provided that no payment to purchase or otherwise acquire shares issued by it may be made unless the solvency test described above is satisfied at the time of, and after, such payment. Shares repurchased by an OBCA corporation are generally cancelled.

Under the Bermuda Act, subject to any limitations or provisions to the contrary in the memorandum of association and bye-laws of a company, a company may, by resolution of directors, declare and pay dividends in money, shares or other property. A company must not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or the realizable value of the company's assets would thereby be less than its liabilities.

Under the OBCA, a corporation may, subject to its articles and to the solvency test mentioned below, purchase or redeem any redeemable shares issued by it at prices not exceeding the redemption price thereof stated in the articles or calculated according to a formula stated in the articles. However, a corporation may not make any payment to purchase or redeem any redeemable shares issued by it if there are reasonable grounds for believing that the corporation is or, after the payment, would be unable to pay its liabilities as they become due, or after the payment, the realizable value of the corporation's assets would be less than the aggregate of its liabilities and the amount that would be required to pay the holders of shares who have a right to be paid, on a redemption or in a liquidation, ratably with or before the holders of the shares to be purchased or redeemed, to the extent that the amount has not been included in its liabilities.

Under the Bermuda Act, a company may only redeem its shares if permitted to do so by its memorandum of association and bye-laws, and if a solvency test similar to the test applicable under the OBCA is satisfied.

Authority to Issue Shares

The OBCA requires that any maximum number of shares which a corporation has the authority to issue be specified in its articles. Brookfield Corporation is currently authorized to issue an unlimited number of Brookfield Class A Shares and preference shares, and 85,120 Brookfield Class B Shares.

The Bermuda Act requires that the amount of shares that a company has authority to issue must be stated and specified in its memorandum of association. Under our bye-laws, we are authorized to issue 1,000,000,000 class A exchangeable shares, 500,000,000 class A-1 exchangeable shares, 500,000 class B shares, 1,000,000,000 class C shares, 1,000,000,000 Class C Junior Preferred Shares (issuable in series), 1,000,000,000 Class D Junior Preferred Shares (issuable in series), 100,000,000 Class A Senior Preferred Shares (issuable in series), and 100,000,000 Class B Senior Preferred Shares (issuable in series).

Our bye-laws provide that, for as long the class A exchangeable shares are listed on the TSX or the NYSE, class A exchangeable shares issued shall be non-assessable and shall not be issued until the consideration for the share is fully paid in money or in property (the issuance of promissory notes is not sufficient) or past services that are not less in value than the fair equivalent of the money that would have been received if the share had been issued for money.

Director Qualifications

The board of directors of an OBCA corporation that is an offering corporation whose shares are held by more than one person must consist of at least three individuals, at least one-third of whom are not officers or employees of the corporation or its affiliates.

Under Bermuda law, the affairs of a company must be managed by at least one director (or at least two directors in the case of a regulated entity). Subject to any provision in the bye-laws, there is no requirement for a company to have executive directors, and a director can be of any nationality and be resident in any jurisdiction. A Bermuda company must have at least one Bermuda resident statutory officer who may be a director, secretary or resident representative.

Brookfield Corporation's articles provide that the number of directors must be 16.

Our company's bye-laws provide that the board is set at a minimum of four (4) members and a maximum of sixteen (16) members or such number in excess thereof as the shareholders may determine, with (i) at least two directors being local residents of Bermuda, (ii) no more than three directors being resident in any one other country (aside from Bermuda), (iii) no more than two directors elected by holders of class A exchangeable shares being resident in any other one country (aside from Bermuda), and (iv) no more than two directors elected by holders of class B shares being resident in any one other country (aside from Bermuda), provided that the board may, at its discretion, increase or decrease the residency requirements. In addition, our company's bye-laws provide that, with respect to the directors elected by holders of class A exchangeable shares, no director or employee of Brookfield Corporation will be eligible to serve. Our company's bye-laws may be amended to change the number of directors with the approval of a majority of the votes cast by holders of class A exchangeable shares and a majority of the votes cast by the class B shares, in each case who vote in respect of the amendment.

Term of the Board of Directors

Where the articles or a unanimous shareholder agreement of a corporation so provide, the OBCA permits, but does not require, that directors may be elected at a meeting of shareholders for different terms of up to three years. The Bermuda Act does not require that the directors elected at a meeting of shareholders be elected for different terms; however, in the absence of such determination by the shareholders, directors shall serve until the termination of the next annual general meeting following their appointment. In addition, the bye-laws of the company can provide for different terms.

Under our company's bye-laws, similar to Brookfield Corporation, no director term limits have been fixed. In addition, a majority voting policy consistent with TSX requirements has been adopted.

Removal of Directors

Under the OBCA, other than where cumulative voting applies for the election of directors and subject to a unanimous shareholder agreement, the shareholders of a corporation may by ordinary resolution at an annual or special meeting remove any director or directors from office. An ordinary resolution under the OBCA requires the resolution to be passed, with or without amendment, at the meeting by at least a majority of the votes cast. The OBCA further provides that where the holders of any class or series of shares of a corporation have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

Under Bermuda law, subject to a company's bye-laws, the shareholders of a company may, at a special general meeting called for that purpose, remove any director provided that the notice of the meeting is served on the director or directors concerned not less than 14 days before such meeting. Like the OBCA, if holders of a class or series of shares have the exclusive right to elect or appoint one or more directors, a director so elected or appointed may only be removed by an affirmative vote of the shareholders of that class or series. Any director given notice of removal will be entitled to be heard at the special general meeting. A vacancy created by the removal of a director at a special general meeting may be filled at that meeting by the election of another director in his or her place or in the absence of any such election by the other directors.

Our company's bye-laws provide that any director may be removed as follows: (a) with respect to the directors elected by holders of the class A exchangeable shares, an affirmative vote of holders of class A exchangeable shares holding a majority of the issued and outstanding class A exchangeable shares entitled to vote at a special general meeting convened and properly held or conferring the right to vote on a resolution to remove a director; (b) with respect to the directors elected by the holders of class B share, an affirmative vote of class B shareholders holding a majority of the issued and outstanding class B shares entitled to vote at a special general meeting convened and properly held or conferring the right to vote on a resolution to remove a director; provided, that the notice of any such meeting convened for the purpose of removing a director must contain a statement of the intention to remove the director and be served on the director not less than 14 days before the meeting, and that the director shall be entitled to be heard at the meeting on the motion for his or her removal.

Cumulative Voting

Under the OBCA, cumulative voting is only permitted in the election of directors if the articles provide for it, and cumulative voting is provided for in Brookfield Corporation's articles. As a result, each holder of Brookfield Class A Shares has the right to cast a number of votes equal to the number of votes attached to the Brookfield Class A Shares held by the holder, multiplied by the number of directors to be elected by the holder and the holders of shares of the classes or series of shares entitled to vote with the shareholder in the election of directors.

Bermuda law does not expressly provide for cumulative voting on any matter. However, consistent with Brookfield Corporation, Our company's bye-laws provide for cumulative voting. Accordingly, our company's bye-laws provide that each holder of shares of a class or series of shares of our company entitled to vote in an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by the holder multiplied by the number of directors to be elected by the holder and the holders of shares of the classes or series of shares entitled to vote with the holder in the election of directors. A holder may cast all such votes in favor of one candidate or distribute such votes among its candidates in any manner the holder sees fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

Vacancies on the Board of Directors

Under the OBCA, a quorum of directors may fill a vacancy among the directors, except for the following vacancies, which must be filled by the shareholders: (i) a vacancy resulting from an increase in the number or minimum number of directors; and (ii) a vacancy resulting from a failure to elect the number or minimum number of directors required by the articles of a corporation.

Under the Bermuda Act, subject to any limitations in a company's bye-laws, a vacancy among the directors may be filled by a resolution of shareholders or, if authorized by the shareholders or the bye-laws, by the directors who remain in office. If no quorum of directors remains, the vacancy must be filled by a general meeting of the shareholders.

Our company's bye-laws provide that if a director elected by holders of the class A exchangeable shares is removed from the board, holders of class A exchangeable shares may fill the vacancy at the meeting at which such director is removed and if a director elected by the holder of the class B shares is removed from the board, the holders of class B shares may fill the vacancy at the meeting at which such director is removed. In the absence of such election or appointment, the board may fill the vacancy.

Our company's board, or the class of shareholders having the exclusive right to elect such director at any general meeting, shall have the power to appoint any person as a director to fill a vacancy on the board occurring as a result of the death, disability, disqualification or resignation of any director. In all other cases, only the shareholders shall have the power to fill a vacancy on the board and the board shall forthwith call a general meeting of shareholders to fill such vacancy or vacancies arising; provided that if the board fails to call a general meeting within fourteen (14) days of the vacancy arising, or if there are no directors then in office, then the secretary or any shareholder may summon the general meeting.

Fiduciary Duties of Directors

The OBCA provides that every director and officer of a corporation governed by the OBCA, in exercising his or her powers and discharging his or her duties, shall act honestly and in good faith with a view to the best interests of the corporation, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Every director and officer of a corporation governed by the OBCA must comply with the provisions of the OBCA, the regulations thereunder, and the articles and by-laws and any unanimous shareholder agreement of such corporation. No provision in a contract, the articles, the by-laws or any resolution relieves a director or officer from the duty to act in accordance with the OBCA or the regulations thereunder, or relieves him or her of liability for a breach of either, except where an unanimous shareholder agreement restricts the powers of the directors to manage the business and affairs of a corporation, in which case the shareholders incur the liabilities of the directors to the extent to which said powers are restricted and the directors are thereby relieved of their duties and liabilities.

The Bermuda Act provides that every director and officer of a company in performing their functions shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Each director also has certain fiduciary duties at common law which he or she must exercise in good faith for the benefit of the company as a whole. In doing so, he or she must use his or her powers for the purposes for which they are intended and fulfil the duties of his or her office honestly.

Conflicts of Interest of Directors and Officers

Subject to certain specified exceptions, the OBCA restricts interested directors from voting on or participating in board deliberations in respect of any transactions in which such director has an interest. Interested directors and officers must disclose in writing to the corporation or request to have entered in the minutes of meetings of directors the nature and extent of their interest.

Pursuant to the Bermuda Act, if a director is interested in a material contract or a proposed material contract with the company or any of its subsidiaries, or has a material interest in any party to such a contract or proposed contract with the company or any of its subsidiaries, they must declare the nature and extent of that interest to the other directors at the first opportunity. Such disclosure may take the form of a general notice given to our company's board to the effect that the director has an interest in a specified company or firm and is to be regarded as interested in any contract, transaction or arrangement which may after the date of the notice be made with that company or firm or its affiliates. A director may participate in any meeting called to discuss or any vote called to approve the transaction in which the director has an interest and any transaction approved by our company's board will not be void or voidable solely because the director was present at or participates in the meeting in which the approval was given provided that our board or a board committee authorizes the transaction in good faith after the director's interest has been disclosed or the transaction is fair to our company at the time it is approved.

Under Bermuda law, a director will be deemed not to be acting honestly and in good faith, in accordance with their statutory duty of good faith and common law duty to avoid a conflict of interest and not to make a secret profit, if the director fails to disclose at the first opportunity, at a meeting of the board or in writing, an interest in any material contract or his or her material interest in any person that is a party to a material contract.

Indemnification of Directors, Officers and Others

The OBCA permits indemnification of a director or officer, a former director or officer or a person who acts or acted at the corporation's request as a director or officer of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative, or other proceeding to which he or she is involved by reason of being or having been a director or officer of the corporation or another entity, if: (i) he or she acted honestly and in good faith with a view to the best interests of the corporation or other entity, and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

Under the OBCA, a corporation may also, with court approval, indemnify an indemnifiable person in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favor, to which the person is made a party by reason of being or having been a director or an officer of the corporation or other entity, against all costs, charges and expenses reasonably incurred by the person in connection with such action if he or she fulfills the conditions set out in clauses (i) and (ii) above.

In any event, an indemnifiable person is entitled to indemnity from the corporation in respect of all costs, charges and expenses reasonably incurred by him or her in connection with the defense of any civil, criminal, administrative investigative action or other proceeding to which he or she is made a party by reason of being or having been a director or officer of the corporation of the body corporate, if the indemnifiable person was not judged by a court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done, fulfills the conditions set out in clauses (i) and (ii) above, and is fairly and reasonably entitled to indemnity.

The directors and officers of a Bermuda company may be indemnified and secured harmless out of the assets of such company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of the company's business, or their duty, or supposed duty, or in their respective offices or trusts. However, the indemnity described above shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the persons described above, in which case it would be rendered void and unenforceable. Our company's bye-laws permit it to enter into agreements with certain persons, including a director or officer, a former director or officer or a person who acts or acted at our company's request as a director or officer of another entity evidencing the terms of the indemnity provisions in our company's bye-laws.

Director Liability

Under the OBCA, directors who vote for or consent to a resolution authorizing the issuance of a share of a corporation for consideration other than money are jointly and severally liable to the corporation to make good any amount by which the consideration received by the corporation is less than the fair equivalent of the money that the corporation would have received if the share had been issued for money on the date of the resolution, provided that a director is not liable pursuant to the foregoing if he or she proves he or she did not know and could not reasonably have known that the share was issued for consideration less than the fair equivalent of the money that the corporation would have received had the share been issued for money. In addition, directors who vote or consent to certain resolutions, including, resolutions approving payments or distributions by the corporation contrary to the OBCA are jointly and severally liable to restore to the corporation any amounts so paid and the value of any property so distributed and not otherwise recovered by the corporation. The OBCA does not otherwise permit the substantive limitation of a director's liability for breach of fiduciary obligations to the corporation, whether through the articles or otherwise. Where an auditor, director or officer is found liable to any person for damages arising out of the performance of any function as such auditor, director or officer as contemplated by the Bermuda Act, an auditor, director or officer may be liable jointly and severally only if it is proved that he or she knowingly engaged in fraud or dishonesty. In all other cases, the court may determine the percentage of responsibility of an auditor, director or officer.

Shareholder Suits

Under the OBCA, a current or former registered or beneficial shareholder may apply to the court for leave to bring an action in the name of and on behalf of a corporation or any of its subsidiaries, or intervene in an action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate. The court must be satisfied that the complainant has given reasonable notice to the directors of the corporation or its subsidiary of his or her intention to apply to court, the directors of the corporation or its subsidiaries will not bring, diligently prosecute, defend or discontinue the action, that the complainant is acting in good faith and that it appears to be in the interests of the corporation or its subsidiaries that the action be brought, prosecuted, defended or discontinued.

The OBCA provides that the court in a derivative action may make any order it thinks fit including, without limitation: (i) an order authorizing the complainant or any other person to control the conduct of the action; (ii) an order giving directions for the conduct of the action; (iii) an order directing that any amount adjudged payable by a defendant in the action shall be paid, in whole or in part, directly to the former and present shareholders of the corporation or its subsidiary instead of to the corporation or its subsidiary; and (iv) an order requiring the corporation or its subsidiary to pay reasonable legal fees incurred by the complainant in connection with the action. Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

Oppression Remedy

The OBCA provides an oppression remedy that enables the court to make any order, both interim and final, to rectify the matters complained of, if the court is satisfied upon the application by a complainant that: (i) any act or omission of a corporation or an affiliate effects or threatens to effect a result; (ii) the business or affairs of a corporation or an affiliate are or have been carried on or conducted in a manner; or (iii) the powers of the directors of a corporation or an affiliate are, have been or are threatened to be exercised in a manner that is oppressive or unfairly prejudicial to, or unfairly disregards the interest of, any security holder, creditor, director or officer of the corporation. A complainant means (i) a registered holder or beneficial owner, or a former registered holder or beneficial owner, of a security of a corporation or any of its affiliates; (ii) a director or an officer or a former director of officer of a corporation or of any of its affiliates; or (iii) any other person who, in the discretion of the court, is a proper person to make such application. Because of the breadth of conduct which can be complained of and the scope of the court's remedial powers, the oppression remedy is very flexible and is sometimes relied upon to safeguard the interests of shareholders and other complainants with a substantial interest in the corporation.

Under the OBCA, it is not necessary to prove that the directors of a corporation acted in bad faith in order to seek an oppression remedy. Furthermore, a court may order the corporation to pay the interim expenses of a complainant seeking an oppression remedy, but the complainant may be held accountable for such interim costs on final disposition of the complaint (as in the case of a derivative action).

Under the Bermuda Act, an oppression remedy also exists. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, a shareholder appearing in the register of shareholders may apply to the Bermuda court, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

Investigation/Appointment of Inspectors

Under the OBCA, a registered holder or a beneficial owner of a security of a corporation can apply to the court for the appointment of an inspector.

Similarly, under Bermuda law, the Minister of Finance, or on the application of a proportion of shareholders as in the Minister's opinion warrants the application, may appoint one or more inspectors to investigate the affairs of a company. The Minister must consider whether there are reasonable grounds for believing there has been oppressive, unfairly prejudicial, fraudulent, unlawful or dishonest conduct.

Reorganizations, Amalgamations/Mergers and Extraordinary Transactions

The OBCA provides that certain extraordinary corporate actions, such as certain amalgamations, any continuance, and sales, leases or exchanges of all or substantially all of the property of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations and dissolutions, are to be approved by special resolution. A special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or a series of shares, only if that class or series of shares is affected by the extraordinary corporate action in a manner different from the shares of another class or series of shares.

Under Bermuda law, there are three key statutory methods for acquiring a Bermuda company which generally require shareholder approval and comprise a take-over offer, a merger/amalgamation or a scheme of arrangement. In order to effect a scheme of arrangement, a majority of shareholders in number representing 75% in value, present and voting in person or by proxy as well as the approval of the Bermuda Court is required. In the case of a merger/amalgamation, our company's bye-laws require approval by a majority of the votes cast by holders of the class A exchangeable shares who vote in respect of the merger/amalgamation and a majority of the votes cast by holders of the class B shares who vote in respect of the merger/amalgamation. For purposes of approval of an amalgamation or merger, all shares, whether or not otherwise entitled to vote, carry the right to vote (including our class C shares). Any shareholder who does not vote in favor of the amalgamation or merger and who is not satisfied that they have been offered fair value for their shares may, within one month of receiving the notice of shareholder meeting to consider the amalgamation, apply to the Supreme Court of Bermuda to appraise the fair value of the shares.

Dissent and Appraisal Rights

The OBCA provides that the shareholders of a corporation entitled to vote on certain matters are entitled to exercise dissent rights and to be paid the fair value of their shares in connection therewith. Such matters include: (i) an amendment to its articles to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation; (ii) an amendment to its articles to add, remove or change any restriction upon the business or businesses that the corporation may carry on; (iii) any amalgamation with another corporation (other than certain affiliated corporations); (iv) a continuance under the laws of another jurisdiction; (v) the sale, lease or exchange of all or substantially all of its property other than in the ordinary course of business; or (vi) going private or squeeze out transactions. Dissent rights may also be granted by the court in connection with a court approved arrangement of a corporation, as the court may make any order that it sees fit. A properly dissenting shareholder is also entitled to elect to receive the appraised value of his or her shares in connection with certain compulsory acquisitions, as described below under the heading "— Compulsory Acquisition".

The Bermuda Act requires that an amalgamating or merging company determine the fair value for its shares and states that a dissenting shareholder is entitled to be paid fair value for their shares. It further provides shareholders who did not vote in favor of the merger/amalgamation and who do not believe that they have been offered fair value with the right to seek the appraisal of the fair value of their shares by the Supreme Court of Bermuda. Further, the shareholders of a Bermuda company are entitled, by application to the Bermuda court, to exercise dissent rights in the event of a compulsory acquisition of shares in the circumstances described below under the heading "— Compulsory Acquisition".

Compulsory Acquisition

Under the OBCA, where over 90% of the shares of an offering corporation (other than shares held at the date of the bid by or on behalf of the bidder or an affiliate or associate of the bidder) are acquired pursuant to a take-over bid or issuer bid, by complying with the provisions of the OBCA, (i) the bidder can force the non-tendering shareholders to either sell their shares on the same terms as the tendering shareholders, or (ii) the non-tendering shareholders can demand payment from the corporation of the fair value of their securities in exchange for the surrender of their securities to the corporation.

Pursuant to the Bermuda Act, where a scheme or contract involving the transfer of shares of a Bermuda company has been approved by the holders of not less than 90% in value of the shares, the offeror can then give notice in the prescribed form to the holders of the remaining shares of the fact of the acquisition within one month of the transfer. The transferee company may, within one month from the date on which the notice was given, pay the price payable to the remaining shareholders. A dissenting shareholder (that is a shareholder who has not assented to the scheme or contract or who has failed or refused to transfer his or her shares to the transferee company) may, within one month from the date of the notice, require the transferee company to acquire the shares in question and may also apply to the Bermuda Court to order such other terms as it thinks fit to order.

Pursuant to the Bermuda Act, holder(s) of not less than 95% of the shares of a Bermuda company can, on giving notice to the minority shareholders, force them to sell their interest to the 95% holder(s) provided that the terms offered are the same for all of the holders of the shares whereupon the acquiring shareholder is bound to acquire the outstanding shares on the terms set out in the notice. The 5% shareholders can apply to the Bermuda court for an appraisal of the value of their shares, and the majority holder will be entitled to acquire the shares at the price so fixed by the Bermuda court.

Transferability of Shares

Unless the articles of a corporation contain a restriction on the transfer of shares, under the OBCA, shares are presumed to be freely transferable.

Brookfield Corporation’s articles do not contain any restriction on the transfer of shares. However, the sole holder of the Brookfield Class B Shares is a party to a trust agreement in which it has agreed not to sell any of its Brookfield Class B Shares, directly or indirectly, pursuant to a takeover bid, unless a concurrent bid is made to all holders of Brookfield Class A Shares. The concurrent offer must be: (i) for the same percentage of Brookfield Class A Shares as the percentage of Brookfield Class B Shares offered to be purchased from the holder; and (ii) the same in all material respects as the offer for the Brookfield Class B Shares. Among other things, the trust agreement permits: (i) a sale by the sole holder of Brookfield Class B Shares at a price per share less than 115% of the market price of Brookfield Class A Shares and as part of a transaction involving not more than five persons in the aggregate; and (ii) a direct or indirect sale of shares of the sole holder of Brookfield Class B Shares to a purchaser who is or will become a shareholder of that holder and will not hold more than 20% of that holder’s outstanding shares as a result of the transaction.

The class A exchangeable shares are not be treated as securities that are convertible into Brookfield Class A Shares for purposes of the application of applicable Canadian or U.S. rules relating to takeover bids, issuer bids and tender offers. As a result, holders of class A exchangeable shares will not be entitled to participate in an offer or bid made to acquire Brookfield Class A Shares unless such offer has been extended to holders of class A exchangeable shares.

Subject to (i) Bermuda exchange control regulations and any consent of, or notification to, the Bermuda Monetary Authority as required thereunder, and (ii) any limitations or provisions to the contrary in its bye-laws, registered shares of a company incorporated under the Bermuda Act may be transferred by a written instrument of transfer. In the absence of a written instrument of transfer, the directors may accept such evidence of a transfer of shares as they consider appropriate.

10.C MATERIAL CONTRACTS

The following are the only material contracts, other than the contracts entered into in the ordinary course of business, which (i) have been entered into by our company since its formation or (ii) are otherwise material to our company:

1. Amended and Restated Rights Agreement dated March 21, 2023 between Brookfield Corporation, our company and the rights agent described below.

2. Agreement and Plan of Merger dated February 8, 2023 between our company, BNRE Merger Sub Ltd. and Argo Group.

3. Amended and Restated Support Agreement dated March 21, 2023 between our company and Brookfield Corporation, described below.

4. Amended and Restated Administration Agreement dated August 5, 2022 between our company and Brookfield Corporation described below.

5. Trademark Sublicense Agreement dated June 28, 2021 between our company and Brookfield Corporation, described below.

6. Credit Agreement dated June 28, 2021 between our company, as lender, and Brookfield US Holdings Inc. and Brookfield International Holdings Inc., as lenders, and BAM Re Holdings Ltd., NER SPC, NER Ltd. and BAC, as borrowers, as amended, described below.

7. Equity Commitment Agreement dated June 28, 2021 between our company and Brookfield Corporation, described below.

8. AEL Investment Agreement, dated as of October 17, 2020, between Brookfield Corporation, AEL Holdings and Burgundy Acquisitions I Ltd., described in Item 4.A "History and Development of the Company — Recent Developments — AEILIC Strategic Partnership".

9. Amendment to AEL Investment Agreement, dated June 10, 2021, between Brookfield Corporation, our company, NER SPC and AEL Holdings, described in Item 4.A "History and Development of the Company — Recent Developments — AEILIC Strategic Partnership".

10. Assignment Agreement, Consent and Waiver in Anticipation of Regulatory Form A Filing, dated as of February 28, 2021, between Brookfield Corporation, Burgundy Acquisitions I Ltd., our company, NER SPC, and AEL Holdings, described in Item "Our Business — Recent Developments — AEL Investment Agreement and Assignment Agreement".

Copies of the agreements noted above will be provided, free of charge, by our company and are available electronically on our EDGAR profile at www.sec.gov and on our SEDAR profile at www.sedar.com. Written requests for such documents should be directed to our Corporate Secretary at Ideation House, First Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda, Tel: +1 (441)-405-7811. The following is a summary of the principal terms of some of our material contracts:

Support Agreement

Our company entered into the Amended and Restated Support Agreement with Brookfield Corporation dated March 21, 2023 (the "**Support Agreement**"), pursuant to which Brookfield Corporation has agreed to support the economic equivalence of the exchangeable shares and Brookfield Class A Shares for so long as exchangeable shares not owned by Brookfield are outstanding and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable our company to pay quarterly distributions, the liquidation amount or the amount payable on a redemption of exchangeable shares, as the case may be.

In addition to the Investment Management Agreements that are in place under the Support Agreement, we have agreed that for so long as the Support Agreement is in place, and subject to any applicable regulatory rules and requirements, we are expected to, from time to time, appoint Brookfield as investment manager and not appoint any other person to provide any investment management services to us without the prior consent of Brookfield. Brookfield Corporation has also agreed that it will, or will cause the appropriate Brookfield entity, to accept such appointment. For more information, see "— Investment Management Agreements" below for the terms of the Investment Management Agreements.

Rights Agreement

The rights agent, our company, and Brookfield Corporation entered into the Amended and Restated Rights Agreement dated March 21, 2023 (the "**Rights Agreement**"), pursuant to which Brookfield Corporation has agreed that on the applicable specified exchange date with respect to any exchangeable shares submitted for exchange, Brookfield Corporation will satisfy, or cause to be satisfied, the obligations pursuant to our bye-laws to exchange such subject exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. For more information, see Item 10.B "Memorandum and Bye-Laws — Rights Agreement".

The Administration Agreement

Brookfield Corporation provides administrative services to our company on a cost recovery basis under the Amended and Restated Administration Agreement dated August 5, 2022. The following is a summary of certain provisions of the Administration Agreement and is qualified in its entirety by reference to all of the provisions of the agreement. Because this description is only a summary of the Administration Agreement, it does not necessarily contain all of the information that you may find useful. We therefore urge you to review the Administration Agreement in its entirety. The Administration Agreement is available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

General

Pursuant to the Administration Agreement, Brookfield Corporation provides, or cause to be provided, if and as requested by our company, and in each case, subject to the overriding supervision and direction of our board:

- our company's Chief Executive Officer, Chief Financial Officer and Chief Investment Officer, as approved by our board from time to time; and
- certain administrative and other support services as may from time to time be agreed in writing by our company and Brookfield Corporation, which may include assisting our Chief Executive Officer, Chief Financial Officer and Chief Investment Officer with the standard functions of a public company, such as financial reporting, investor relations, human resources, information technology, compliance, shareholder correspondence, and ongoing disclosure obligations.

Brookfield Corporation has agreed to provide these services to our company on a cost-recovery basis.

Our company's Chief Executive Officer, Chief Financial Officer and Chief Investment Officer are executives of Brookfield Corporation and whose services are provided to our company pursuant to the Administration Agreement. The Chief Executive Officer, Chief Financial Officer and Chief Investment Officer cannot be changed by Brookfield Corporation without our company's prior approval. The individuals serving as Chief Executive Officer, Chief Financial Officer and Chief Investment Officer each continue to have roles at Brookfield Corporation and spend a portion of their time on services provided to our company, and our company will reimburse Brookfield Corporation for the annual cash compensation paid to them (not including the costs associated with any equity compensation or long term incentive compensation received by them) that is proportionate to the time they have spent serving as executives of our company.

The Administration Agreement contains an acknowledgement that Brookfield Corporation (including the individuals serving as Chief Executive Officer, Chief Financial Officer and Chief Investment Officer during the portion of time they act on behalf of Brookfield Corporation) may engage in other businesses that may be similar to or in competition with our company's affairs. In the event of a conflict that results in the provision of services under the Administration Agreement being impracticable, Brookfield Corporation will provide our company with written notice of the conflict and our company will be entitled to retain one or more third parties to perform the administrative services to which the conflict relates.

Termination

The term of the Administration Agreement will continue in perpetuity, provided that the Administration Agreement or any of the services thereunder may be terminated by mutual consent of our company and Brookfield Corporation. Our company may also terminate the Administration Agreement at any time in the event of a material breach or material default of Brookfield Corporation's obligations under the Administration Agreement not cured within 60 days of receiving written notice of the breach or default, or upon not less than 30 days' written notice to Brookfield Corporation in the event of insolvency of Brookfield Corporation, in all cases without payment of any termination fees. Brookfield Corporation has the right to terminate the Administration Agreement upon not less than 90 days' prior written notice to our company in the event of a material breach or material default of our company's obligations under the Administration Agreement not cured within 60 days of receiving written notice of the breach or default, or upon not less than 30 days' written notice to our company in the event of insolvency of our company, in all cases without payment of any termination fees.

Investment Management Agreements

We have entered into investment management agreements (the "**Investment Management Agreements**") appointing Brookfield as the investment manager of certain of our assets and accounts, including assets backing the liabilities assumed by us under our insurance and reinsurance arrangements, and any assets held as surplus. Depending on the structure of the reinsurance arrangement, Brookfield may enter into such Investment Management Agreements with us or directly with the ceding company that is our counterparty to such reinsurance arrangements.

Subject to the terms of the Investment Management Agreements, Brookfield has discretionary authority to manage the investment and reinvestment of the funds and assets of the accounts holding the assets backing the assumed liabilities in accordance with the investment guidelines specified therein. The investment guidelines will generally permit Brookfield to invest such assets in a wide range of private and/or public debt, loans, securitizations, structured products, loan originations and other credit instruments or lending opportunities, co-investments, and other types of investment arrangements, including investments in Brookfield Accounts, determined by the investment manager or any sub-advisors on a discretionary basis and otherwise, in each case, in accordance with the terms and conditions of the relevant Investment Management Agreement and applicable insurance investment laws.

Generally, Brookfield, as investment manager, will receive an asset management fee based on invested assets in the relevant Account for the services provided under the Investment Management Agreements. The Investment Management Agreements permit Brookfield to engage sub-advisors (including sub-advisors that are affiliates or related parties of Brookfield) to provide sub-advisory services with respect to some or all of the assets of the Account. Sub-advisors under the Investment Management Agreements will typically receive an asset management fee based on invested assets and incentive fees for their services pursuant to the relevant sub-advisory agreement. In addition, typically the Account will bear and be charged for, directly or indirectly, the costs and expenses relating to the Investment Management Agreements and sub-advisory agreements, including the costs and expenses relating to the investment activities performed thereunder.

In all cases, Brookfield will seek to ensure that the agreements are in the best interests of our company, with terms to be determined in good faith as fair, reasonable and equitable under the circumstances. In making these determinations, Brookfield will take into account such factors that it deems relevant, which will include the potential benefits and synergies of transacting with a Brookfield-related party. Brookfield may take its own interests (or the interests of other Brookfield Accounts or businesses) into account in considering and making determinations regarding these matters. Unless Brookfield determines otherwise, fees or other financial incentives paid to the relevant company will not offset or otherwise reduce the management fee or other compensation paid to Brookfield, will not otherwise be shared with us.

There can be no assurance that the terms of any such agreement will be executed on an arm's length basis, be as favorable to us as otherwise would be the case if the counterparty were not related to Brookfield, be benchmarked in any particular manner, or be the same as those that other Brookfield Accounts receive from the applicable counterparty. In some circumstances, we may receive better terms than from an independent counterparty. In other cases, these terms may be worse. While these agreements raise potential conflicts of interest, Brookfield believes that our access to Brookfield Accounts and their portfolio companies, as well as to Brookfield related parties and companies in which Brookfield has an interest enhances our, Brookfield Accounts' and portfolio companies' capabilities, is an integral part of our operations and will provide benefits to us, Brookfield Accounts and portfolio companies that would not exist but for our affiliation with Brookfield.

All such agreements described in this section are expected to be entered into in the ordinary course without obtaining consent of our independent directors or shareholders, or of investors in other Brookfield Accounts, and such arrangements will not impact the management fee payable to Brookfield or any fee for affiliate services payable to Brookfield or a Brookfield Account (i.e., the portfolio companies will be free to transact in the ordinary course of their businesses without limitations, including by charging their ordinary rates for the relevant services or products).

Equity Commitment

Brookfield Corporation has provided our company an equity commitment in the amount of $2 billion to fund future growth, which we may draw on from time to time (the "**Equity Commitment**"), pursuant to the equity commitment agreement entered into on June 28, 2021 (the "**Equity Commitment Agreement**"). The Equity Commitment may be called by our company in exchange for the issuance of a number of class C shares or Junior Preferred Shares, as the case may be, to Brookfield Corporation, corresponding to the amount of the Equity Commitment called divided (i) in the case of a subscription for class C shares, for an amount equal to the fair market value of the class C shares as determined by our company, acting reasonably, and accepted by Brookfield Corporation, and (ii) in the case of a subscription for Junior Preferred Shares, $25.00. The Equity Commitment will be available in minimum amounts of $10 million and the amount available under the Equity Commitment will be reduced permanently by the amount so called. Before funds may be called on the Equity Commitment, a number of conditions precedent must be met, including that (i) the Support Agreement is in effect and there is no material breach by the company thereunder; (ii) the company shall have provided notice of a draw down on the Equity Commitment to Brookfield Corporation; and (iii) the board of the company shall have (a) authorized the issuance of the class C shares or Junior Preferred Shares, as the case may be, (b) if applicable, determined the value of the class C shares, (c) if applicable, created the Junior Preferred Shares to be issued, and (d) determined that the class C shares or Junior Preferred Shares to be issued will be fully paid and non-assessable.

The rationale for the Equity Commitment is to provide our company with access to equity capital on an as-needed basis to fund growth and to maximize our flexibility. As discussed below, our company has also entered into a Credit Agreement with Brookfield Corporation for purposes of providing our company with access to debt financing on an as-needed basis and to maximize our flexibility. Our company may also establish credit facilities with one or more financial institutions on an arm's length basis from time to time. See Item 3.D "Risk Factors – Risks Relating to our Company – We will require significant capital in order to continue to fund the growth of our business".

We intend to use the liquidity provided by the Equity Commitment and any credit facilities (including under the Credit Agreement) for working capital purposes and to fund distributions, and we may use the proceeds from the Equity Commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding our company will access in any particular situation will be a matter of optimizing needs and opportunities at that time.

The Equity Commitment has a perpetual term and may only be terminated at such time as the Support Agreement has been terminated. As of the date of this Form 20-F, no amounts are currently drawn under the Equity Commitment.

Brookfield Credit Agreement

On June 28, 2021 we entered into a credit agreement with Brookfield as lender (the "**Brookfield Credit Agreement**"), providing for a five-year revolving $200 million credit facility. On March 9, 2022, the size of the facility was increased to $400 million. As of the date of this Form 20-F, no amounts are currently drawn under this credit facility.

The credit facility is available in U.S. or Canadian dollars, and advances will be made by way of LIBOR, base rate, bankers' acceptance rate or prime rate loans. Both operating facilities are expected to bear interest at the specified LIBOR or bankers' acceptance rate plus 2%, plus an applicable spread, in each case subject to adjustment from time to time as the parties may agree. In addition, the credit facility will contemplate deposit arrangements pursuant to which the lender would, with the consent of a borrower, deposit funds on a demand basis to such borrower's account at a reduced rate of interest.

The Brookfield Credit Agreement provides that the lender is entitled to consent to any decision made by our board to approve any action by our company that constitutes, or could reasonably be expected to constitute, a material change in the nature of our company's business, including any material change in the leverage profile of our company or any action that results, or could reasonably be expected to result, in a downgrade to any credit rating held by our company or any of its subsidiaries, as applicable.

Licensing Agreement

Our company and Brookfield Corporation entered into a trademark sublicense agreement (the "**Licensing Agreement**"), dated June 28, 2021. Pursuant to the Licensing Agreement, Brookfield Corporation will grant a non-exclusive, royalty-free sub-license to use the name "Brookfield" and the Brookfield logo. Other than under this limited license, we will not have a legal right to the "Brookfield" name and the Brookfield logo on a global basis.

The Licensing Agreement may be terminated by Brookfield Corporation upon thirty (30) days' prior written notice if our company defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of thirty (30) days after written notice of termination of the breach is given to Brookfield Corporation. Brookfield Corporation may also terminate the Licensing Agreement upon thirty (30) days' prior written notice of termination if any of the following occurs:

- our company defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of thirty (30) days after written notice of termination of the breach is given to the licensee;
- our company assigns, sublicenses, pledges, mortgages or otherwise encumbers the intellectual property rights granted to it pursuant to the Licensing Agreement;
- certain events relating to a bankruptcy or insolvency of our company; or
- the Support Agreement has been terminated.

10.D EXCHANGE CONTROLS

There are currently no governmental laws, decrees, regulations or other legislation of Canada, the United States or Bermuda which restrict the import or export of capital, including the availability of cash and cash equivalents for use by our group and their subsidiaries, or the remittance of distributions, interest or other payments to non-residents of Canada or the United States holding class A exchangeable shares.

10.E TAXATION

Certain Material United States Federal Income Tax Considerations

The following discussion summarizes certain material U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) with respect to the ownership and disposition of class A exchangeable shares, as well as certain U.S. federal income tax considerations relevant to our company and its subsidiaries. This discussion only addresses persons that hold class A exchangeable shares or Brookfield Class A Shares received pursuant to the exercise of the exchange right as capital assets for U.S. federal income tax purposes (generally, property held for investment). This discussion does not constitute tax advice and does not address all aspects of U.S. federal income taxation that may be relevant to particular holders of class A exchangeable shares (or Brookfield Class A Shares received pursuant to the exercise of the exchange right) in light of their personal circumstances, or to any holders subject to special treatment under the Code, such as:

- banks and other financial institutions;
- real estate investment trusts and regulated investment companies;
- traders in securities who elect to apply a mark-to-market method of accounting;
- tax-exempt organizations or governmental organizations;
- insurance companies;
- dealers or brokers in securities;
- individual retirement and other tax-deferred accounts;
- persons whose functional currency is not the U.S. dollar;
- U.S. expatriates and former citizens or long-term residents of the United States;
- passive foreign investment companies, controlled foreign corporations, or corporations that accumulate earnings to avoid U.S. federal income tax;
- persons subject to the alternative minimum tax;
- persons who own (directly, indirectly, or constructively) 10% or more of the total voting power of all classes of shares entitled to vote or of the total value of all classes of shares of either of our company or Brookfield Corporation;
- persons who hold their class A exchangeable shares (or Brookfield Class A Shares received pursuant to the exercise of the exchange right) as part of a straddle, hedging, conversion, constructive sale, wash sale, or other integrated or similar transaction;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes (and investors therein);
- persons who are subject to special tax accounting rules under Section 451(b) of the Code; and

- persons who received their class A exchangeable shares through the exercise of employee stock options or otherwise as compensation or through tax-qualified retirement plans.

For purposes of this discussion, a "**U.S. Holder**" is a beneficial owner of class A exchangeable shares (or Brookfield Class A Shares received pursuant to the exercise of the exchange right) that for U.S. federal income tax purposes is:

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States, any state thereof, or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership, including for this purpose any arrangement or entity that is treated as a partnership for U.S. federal income tax purposes, holds class A exchangeable shares (or Brookfield Class A Shares received pursuant to the exercise of the exchange right), the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Holders that are partnerships for U.S. federal income tax purposes and the partners in such partnerships are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of such shares.

This discussion is based on current provisions of the Code, the regulations promulgated thereunder (the "**Treasury Regulations**"), judicial decisions, published positions of the IRS, and other applicable authorities, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, and to differing interpretations. This discussion does not address all U.S. federal tax laws (such as estate or gift tax laws), nor does it address any aspects of U.S. state or local or non-U.S. taxation. There can be no assurance that the IRS will not challenge the conclusions reflected herein or that a court would not sustain any such challenge.

This discussion is for informational purposes only and is not tax advice. No statutory, judicial, or administrative authority directly addresses the treatment of a security similar to the class A exchangeable shares for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences to U.S. Holders of the ownership and disposition of class A exchangeable shares are uncertain. Holders of class A exchangeable shares are urged to consult their tax advisers regarding the U.S. federal income tax consequences to them of the ownership and disposition of class A exchangeable shares in light of their particular circumstances, as well as any tax consequences arising under the U.S. federal tax laws other than those pertaining to income tax, including estate or gift tax laws, or under any state, local, or non-U.S. tax laws or any applicable income tax treaty.

Taxation of Our Non-U.S. Subsidiaries

Our company and its non-U.S. subsidiaries are treated as foreign corporations under the Code. Any non-U.S. subsidiary that is considered to be engaged in a trade or business in the United States generally will be subject to U.S. federal income taxation on a net basis on its income that is effectively connected with such U.S. trade or business (including a branch profits tax on the portion of its earnings and profits that is attributable to such income, subject to certain adjustments), unless otherwise provided under an applicable income tax treaty. In addition, a non-U.S. subsidiary generally will be subject to U.S. federal income taxation on a gross basis on certain U.S.-source income, as well as a U.S. federal excise tax on certain premiums earned on insurance with respect to U.S. risks that are not effectively connected with a U.S. trade or business, unless otherwise provided under an applicable income tax treaty.

We expect each of the non-U.S. subsidiaries to operate in a manner that will not cause it to be treated as engaged in a trade or business within the United States or, if applicable under an income tax treaty, engaged in a trade or business in the United States through a permanent establishment. However, the potential application of the BEAT (discussed below), the complex application of the rules for determining the U.S. federal income tax liability of a corporation under the Tax Cuts and Jobs Act, and other factors, including any future tax legislation, may cause some or all of the non-U.S. subsidiaries to conduct business differently. Moreover, there is considerable uncertainty as to when a foreign corporation is engaged in a trade or business within the United States and as to what constitutes a permanent establishment under the applicable tax treaties.

Based on such uncertainty, there can be no assurance that the IRS will not contend successfully that one or more of our non-U.S. subsidiaries is engaged in a trade or business (or carrying on business through a permanent establishment) in the United States. If one or more of the non-U.S. subsidiaries were treated as engaged in a trade or business (or carrying on business through a permanent establishment) in the United States, then any such non-U.S. subsidiary could be subject to U.S. federal income taxation on the portion of its net income treated as effectively connected with a U.S. trade or business (or its business profits attributable to a U.S. permanent establishment), as well as the U.S. branch profits tax on effectively connected earnings and profits. The current marginal U.S. federal income tax rates are 21% for a non-U.S. corporation's effectively connected income and 30% for a non-U.S. corporation's effectively connected earnings and profits (as determined under U.S. federal income tax principles), subject to certain adjustments.

Bermuda-U.S. Treaty Benefits

If any of our non-U.S. subsidiaries that are insurance enterprises are entitled to the benefits of the income tax treaty between Bermuda and the United States (the "**Bermuda-U.S. Treaty**") for a given taxable year, they will not be subject to U.S. federal income tax on certain of their business profits for that year, unless those business profits are attributable to a permanent establishment in the United States. Our non-U.S. insurance subsidiaries currently intend to conduct their activities in such a manner as to avoid having a permanent establishment in the United States, but because the determination of whether a person has a permanent establishment in the United States is highly factual, and must be made annually, there can be no assurance that they will be successful in that regard.

An insurance enterprise resident in Bermuda whose shares are not traded on an exchange will be entitled to the benefits of the Bermuda-U.S. Treaty only if (i) more than 50% of its shares are beneficially owned, directly or indirectly, by any combination of individual residents of the United States or Bermuda or U.S. citizens and (ii) its income is not used in substantial part, directly or indirectly, to make certain disproportionate distributions to, or to meet certain liabilities of, persons who are neither residents of the United States or Bermuda nor U.S. citizens. It is not certain that any of our non-U.S. insurance subsidiaries organized in Bermuda will qualify for the benefits of the Bermuda-U.S. Treaty, because it cannot be predicted whether such subsidiary's direct or indirect ownership will satisfy the requirements described above. Our company is not eligible for treaty benefits, because it is not an insurance company. Accordingly, our company and the non-U.S. insurance subsidiaries organized in Bermuda intend to conduct substantially all of their non-U.S. operations outside the United States and otherwise to structure their operations and investments so as to avoid being treated as engaged in the conduct of a trade or business within the United States, although no assurance can be provided in this regard.

Net Investment Income

Non-U.S. insurance corporations carrying on an insurance business within the United States may be treated under the Code as having a certain minimum amount of effectively connected net investment income, determined in accordance with a formula that depends, in part, on the amount of U.S. risk insured or reinsured by such corporations. If, contrary to its intention, one of our non-U.S. insurance subsidiaries is considered to be engaged in the conduct of an insurance business in the United States and such company (i) is not entitled to the benefits of an applicable tax treaty in general or (ii) is entitled to the benefits of the treaty in general, but the treaty is interpreted not to apply to investment income, then a significant portion of the investment income of such non-U.S. insurance subsidiary could be subject to U.S. income tax.

Withholding Tax

A non-U.S. corporation generally is subject to a 30% U.S. federal income tax (imposed on a gross basis and generally collected by withholding) on certain "fixed or determinable annual or periodical gains, profits and income" from sources within the United States that are not effectively connected with such non-U.S. corporation's conduct of a U.S. trade or business. Such income includes certain distributions from U.S. corporations and certain interest on investments, but does not include insurance premiums paid with respect to a contract that is subject to the excise tax described below. If a U.S. corporate subsidiary of our company makes a distribution out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), such distribution will be treated as a dividend subject to the 30% withholding tax, except as reduced under any applicable income tax treaty.

Excise Tax

The United States imposes an excise tax on insurance and reinsurance premiums paid to non-U.S. insurers or reinsurers with respect to risks located in the United States, except to the extent waived by an applicable tax treaty. The applicable tax rates are 4% for direct casualty insurance premiums and 1% for reinsurance premiums and direct premiums for life insurance and annuity contracts.

Base Erosion and Anti-Abuse Tax

The BEAT operates as a minimum tax and generally is calculated as a percentage (10% for certain taxable years before 2026 and 12.5% thereafter) of the "modified taxable income" of an "applicable taxpayer". Modified taxable income is calculated by adding back to a taxpayer's regular taxable income the amount of certain "base erosion tax benefits" with respect to certain payments made to non-U.S. affiliates, as well as the "base erosion percentage" of any net operating loss deductions. The BEAT applies only to the extent it exceeds a taxpayer's regular corporate income tax liability (determined without regard to certain tax credits) and only in years in which the "base erosion percentage" exceeds a specified percentage. If applicable in any given year, the BEAT may significantly increase the tax liability of our U.S. subsidiaries for such year.

Characterization of the Class A Exchangeable Shares

The U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of class A exchangeable shares depend, in part, on whether the class A exchangeable shares are, for U.S. federal income tax purposes, treated as stock of our company. No authority directly addresses the U.S. federal income tax treatment of a security with terms and related rights similar to the class A exchangeable shares, and therefore the tax treatment of the class A exchangeable shares is uncertain. We treat the class A exchangeable shares as stock of our company for all U.S. federal income tax purposes, but alternative characterizations are possible.

For example, the IRS or a court might characterize the class A exchangeable shares as Brookfield Class A Shares. In such case, the U.S. federal income tax consequences to U.S. Holders could differ materially from the consequences described below under the heading "Taxation of U.S. Holders — U.S. Federal Income Tax Consequences of the Ownership and Disposition of Class A Exchangeable Shares". Among other things, the tax treatment of distributions on shares could be different. Distributions on the Brookfield Class A Shares generally are expected to be reported as dividends, based on our understanding that Brookfield Corporation currently does not, and does not intend to, calculate its earnings and profits under U.S. federal income tax principles. Our company, on the other hand, currently calculates its earnings and profits under U.S. federal income tax principles. Based on these calculations, we do not believe that our company has any accumulated earnings and profits as of the date hereof, nor do we expect it to have earnings and profits for the current taxable year or in the foreseeable future. Distributions on class A exchangeable shares are therefore generally expected to be treated as a recovery of tax basis or as capital gain, instead of dividend income, subject to certain conditions. See the discussion below under the headings "— Taxation of U.S. Holders — U.S. Federal Income Tax Consequences of the Ownership and Disposition of Class A Exchangeable Shares — Distributions on Class A Exchangeable Shares" and "— Taxation of U.S. Holders — U.S. Federal Income Tax Consequences of the Ownership and Disposition of Brookfield Class A Shares Received Pursuant to the Exercise of the Exchange Right — Distributions on Brookfield Class A Shares". In addition, if the class A exchangeable shares were treated as Brookfield Class A Shares for U.S. federal income tax purposes, then the receipt of Brookfield Class A Shares pursuant to the exercise of the exchange right might qualify for tax-free treatment.

Alternatively, the IRS or a court might characterize the class A exchangeable shares and related rights as a derivative financial instrument, with complex and uncertain tax consequences that could be materially different from the consequences described in this summary. No assurance can be provided that the IRS or a court will agree with our position that the class A exchangeable shares constitute stock of our company, and the U.S. federal income tax consequences of an alternative characterization of the class A exchangeable shares could be materially adverse to U.S. Holders. U.S. Holders are urged to consult their tax advisers regarding the proper treatment of the class A exchangeable shares for U.S. federal income tax purposes.

The remainder of this summary assumes that the class A exchangeable shares will be treated for U.S. federal income tax purposes as stock of our company.

Taxation of U.S. Holders

U.S. Federal Income Tax Consequences of the Ownership and Disposition of Class A Exchangeable Shares

Distributions on Class A Exchangeable Shares

Subject to the discussion below under the headings "— Passive Foreign Investment Company Considerations", "— Related Person Insurance Income", and "— Application of Section 1248 of the Code", the gross amount of a distribution paid to a U.S. Holder with respect to class A exchangeable shares will be included in the holder's gross income as a dividend to the extent paid out of our company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of a distribution exceeds our company's current and accumulated earnings and profits, the excess would be treated as a recovery of basis to the extent of the holder's basis in class A exchangeable shares and then as capital gain. As of the date hereof, we do not believe that our company has any accumulated earnings and profits, nor do we expect it to have earnings and profits for the current taxable year or in the foreseeable future.

Dividends received by individuals and other non-corporate U.S. Holders of class A exchangeable shares readily tradable on the NYSE generally will be "qualified dividend income" subject to tax at preferential rates applicable to long-term capital gains, provided that such holders meet certain holding period and other requirements and our company is not treated as a PFIC for the taxable year in which the dividend is paid or for the preceding taxable year. Dividends on class A exchangeable shares generally will not be eligible for the dividends-received deduction allowed to corporations. Each U.S. Holder is urged to consult a tax adviser regarding the application of the relevant rules in light of the holder's particular circumstances.

Dividends paid by our company generally will constitute foreign-source income for foreign tax credit limitation purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividends distributed by our company with respect to class A exchangeable shares generally will constitute “passive category income”. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisers regarding the availability of the foreign tax credit with respect to their particular circumstances.

Sale, Exchange, Redemption, or Other Disposition of Class A Exchangeable Shares

Subject to the discussion below under the headings “— Passive Foreign Investment Company Considerations”, “— Related Person Insurance Income”, and “— Application of Section 1248 of the Code”, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange (including pursuant to the U.S. Holder’s exercise of the exchange right), redemption (other than a redemption that is treated as a distribution, as described in the following paragraph), or other taxable disposition of the class A exchangeable shares (including pursuant to Brookfield Corporation’s exercise of its overriding call right) equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in the class A exchangeable shares so disposed. The amount realized will equal the amount of cash, if any, plus the fair market value of any property received (such as Brookfield Class A Shares received upon the U.S. Holder’s exercise of the exchange right or pursuant to Brookfield Corporation’s exercise of its overriding call right). Any such capital gain or loss will be long-term capital gain or loss if the holder’s holding period for the class A exchangeable shares exceeds one year at the time of disposition. Gain or loss, as well as the holding period for the class A exchangeable shares, will be determined separately for each block of class A exchangeable shares (that is, shares acquired at the same cost in a single transaction) sold or otherwise subject to a taxable disposition. Gain or loss recognized by a U.S. Holder generally will be treated as U.S.-source gain or loss for foreign tax credit limitation purposes. Long-term capital gains of non-corporate U.S. Holders generally are taxed at preferential rates. The deductibility of capital losses is subject to limitations. A U.S. Holder receiving Brookfield Class A Shares pursuant to the holder’s exercise of the exchange right or pursuant to Brookfield Corporation’s exercise of its overriding call right will have a tax basis in such Brookfield Class A Shares equal to their fair market value at the time of the disposition, and the holding period for such shares will begin on the following day.

A redemption of class A exchangeable shares by our company will be treated as a sale or exchange as described above if such redemption is (i) in “complete redemption” of the U.S. Holder’s equity interest in our company (within the meaning of Section 302(b)(3) of the Code), (ii) a “substantially disproportionate” redemption of stock (within the meaning of Section 302(b)(2) of the Code), or (iii) “not essentially equivalent to a dividend” (within the meaning of Section 302(b)(1) of the Code). In determining whether any of these tests has been met with respect to the redemption of class A exchangeable shares, each U.S. Holder may be required to take into account not only the class A exchangeable shares and other equity interests in our company actually owned by the holder, but also other equity interests in our company that are constructively owned by the holder within the meaning of Section 318 of the Code, including by reason of owning Brookfield Class A Shares. If a U.S. Holder owns (actually or constructively) only an insubstantial percentage of the total equity interests in our company and exercises no control over our company’s corporate affairs, the holder may be entitled to sale or exchange treatment on a redemption of the class A exchangeable shares if the holder experiences a reduction in its equity interest in our company (taking into account any constructively owned equity interests) as a result of the redemption. If a U.S. Holder meets none of the alternative tests of Section 302(b) of the Code, the redemption will be treated as a distribution subject to the rules described above under the heading “— Distributions on Class A Exchangeable Shares”. The amount of the distribution will be equal to the amount of cash and the fair market value of any property received. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code is satisfied with respect to any particular U.S. Holder of class A exchangeable shares will depend upon the facts and circumstances as of the time the determination is made, each U.S. Holder is urged to consult a tax adviser regarding the tax treatment of a redemption, including the calculation of the holder’s tax basis in any remaining class A exchangeable shares in the event of a redemption that is treated as a distribution.

For a general discussion of the tax consequences to a U.S. Holder of owning and disposing of Brookfield Class A Shares received in exchange for class A exchangeable shares pursuant to the U.S. Holder's exercise of the exchange right or pursuant to Brookfield Corporation's exercise of its overriding call right, see the discussion below under the heading "— U.S. Federal Income Tax Consequences of the Ownership and Disposition of Brookfield Class A Shares Received Pursuant to the Exercise of the Exchange Right".

Passive Foreign Investment Company Considerations

Certain adverse U.S. federal income tax consequences generally apply to a U.S. person that owns stock of a non-U.S. corporation that is treated as a PFIC for any taxable year during the U.S. person's holding period for the stock. In general, a non-U.S. corporation will be a PFIC during a taxable year if (i) 75% or more of its gross income constitutes passive income or (ii) 50% or more of its assets produce, or are held for the production of, passive income. For these purposes, a non-U.S. corporation that owns at least 25% of the value of the stock of another corporation generally is treated as if it received directly its proportionate share of the income, and held its proportionate share of the assets, of the other corporation. Passive income generally includes interest, dividends, and other investment income. However, under an "active insurance" exception, income is not treated as passive if it is derived in the "active conduct" of an insurance business by a "qualifying insurance corporation". The IRS has issued final and proposed regulations providing guidance on various aspects of the PFIC rules, including the active insurance exception. The proposed regulations will not be effective unless and until they are adopted in final form, although taxpayers generally may rely on the proposed regulations before adoption, provided the proposed regulations are applied consistently.

The exception for qualifying insurance corporations is limited to a non-U.S. insurance company that would be taxed under the provisions of the Code applicable to a U.S. insurance company if it were a U.S. corporation and that maintains applicable insurance liabilities of more than 25% of its assets for a taxable year (or, alternatively, maintains applicable insurance liabilities that at least equal or exceed 10% of its assets, is predominantly engaged in an insurance business, and satisfies a facts and circumstances test that requires a showing that the failure to exceed the 25% threshold is due to runoff-related or rating-related circumstances). Under the proposed regulations, a qualifying insurance corporation is engaged in the active conduct of an insurance business only if it satisfies either a "factual requirements test" or an "active conduct percentage test". An additional exception for U.S. domestic insurance subsidiaries generally provides that the income of a U.S. domestic corporation to which the look-through rules apply is not treated as passive if the corporation is subject to tax as an insurance company under the applicable provisions of the Code, and the corporation is subject to U.S. federal income tax on its net income. The proposed regulations would limit the application of this rule in the case of certain over-capitalized corporations.

Based on the current and expected income, assets, and activities of our company, we do not expect our company to be classified as a PFIC for the current taxable year or in the foreseeable future. However, there is significant uncertainty regarding the application of the final and proposed regulations. The IRS has requested comments on several aspects of the proposed regulations governing the active conduct of an insurance business, and it is uncertain when the proposed regulations will be made final or whether the provisions of any final or temporary regulations will vary from the proposed regulations. Moreover, the PFIC determination is made annually at the end of each taxable year and depends on a number of factors, some of which are beyond our company's control, including the value of our company's assets and the amount and type of its income. Accordingly, there can be no assurance that our company or any of its non-U.S. subsidiaries will not be classified as a PFIC for any taxable year or that the IRS will agree with our company's belief regarding its PFIC status.

In general, if our company were a PFIC for any taxable year during a U.S. Holder's holding period for class A exchangeable shares, then gain recognized by such U.S. Holder upon the sale or other taxable disposition of the class A exchangeable shares would be allocated ratably over the U.S. Holder's holding period for the class A exchangeable shares. The amounts allocated to the taxable year of the sale or other taxable disposition and to any year before our company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the tax on such amount. Further, to the extent that any distribution received by a U.S. Holder on its class A exchangeable shares were to exceed 125% of the average of the annual distributions on the class A exchangeable shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. If our company were classified as a PFIC for any taxable year during a U.S. Holder's holding period for class A exchangeable shares, our company generally would continue to be treated as a PFIC with respect to such holder in all succeeding years, even if our company ceased to satisfy the requirements for being a PFIC. In addition, if our company were classified as a PFIC with respect to a U.S. Holder, to the extent any of our subsidiaries were also PFICs, the holder might be deemed to own shares in any such lower-tier PFICs directly or indirectly owned by our company in that proportion which the value of the class A exchangeable shares owned by the holder bears to the value of all of our shares, and the holder therefore might be subject to the adverse tax consequences described above with respect to the shares of such lower-tier PFICs deemed owned by the holder.

Certain elections may be available to mitigate the adverse tax consequences of PFIC status described above. If a U.S. Holder were to elect to treat its interest in our company as a "qualified electing fund" ("**QEF Election**") for the first year the holder were treated as holding such interest, then in lieu of the tax consequences described above, the holder would be required to include in income each year a portion of the ordinary earnings and net capital gains of our company, even if not distributed to the holder. A QEF Election must be made by a U.S. Holder on an entity-by-entity basis. To make a QEF Election, a U.S. Holder must, among other things, obtain a PFIC annual information statement from our company and prepare and submit IRS Form 8621 with the holder's annual income tax return. If, contrary to our expectations, we determine that our company is a PFIC for any taxable year, then to the extent reasonably practicable, we intend to timely provide U.S. Holders with information related to the PFIC status of our company and each non-U.S. subsidiary we are able to identify as a PFIC, including information necessary to make a QEF Election with respect to each such entity.

In lieu of making a QEF Election, if our company is a PFIC for any taxable year and the class A exchangeable shares are treated as "marketable stock" in such year, then a U.S. Holder may avoid the unfavorable rules described above by making a mark-to-market election with respect to the holder's class A exchangeable shares. The class A exchangeable shares will be marketable if they are regularly traded on certain qualified exchanges, including the NYSE. For these purposes, the class A exchangeable shares generally will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. There can be no assurance that trading in the class A exchangeable shares will be sufficiently regular for the shares to qualify as marketable stock. Moreover, we generally do not expect the mark-to-market election to be available with respect to any non-U.S. subsidiary classified as a PFIC. In general, if a U.S. Holder were to make a timely and effective mark-to-market election, the holder would include as ordinary income each year the excess, if any, of the fair market value of the holder's class A exchangeable shares at the end of the taxable year over its adjusted basis in class A exchangeable shares. Any gain recognized by such holder on the sale or other disposition of class A exchangeable shares would be ordinary income, and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss.

Subject to certain exceptions, a U.S. person who owns an interest in a PFIC generally is required to file an annual report on IRS Form 8621, and the failure to file such report could result in the imposition of penalties on such U.S. person and the extension of the statute of limitations with respect to federal income tax returns filed by such U.S. person. The application of the PFIC rules to U.S. Holders is uncertain in certain respects. U.S. Holders are urged to consult their tax advisers regarding the application of the PFIC rules, including the foregoing filing requirements and the final and proposed regulations, as well as the advisability of making any available election under the PFIC rules, with respect to their ownership and disposition of the class A exchangeable shares.

Related Person Insurance Income

Certain adverse U.S. federal income and tax reporting rules may apply to a U.S. person who, directly or indirectly, owns stock of a non-U.S. corporation that earns RPII. Because our company is a holding company and is not itself licensed as an insurance company, our company does not expect to have income treated as RPII. However, the RPII rules of the Code generally will apply to U.S. Holders who, through their ownership of class A exchangeable shares, are indirect shareholders of a non-U.S. insurance subsidiary if (i) the subsidiary is a RPII CFC, which generally will be the case if 25% or more of the value or voting power of such non-U.S. insurance subsidiary's shares is owned (directly, indirectly through non-U.S. entities, or by the application of certain constructive ownership rules) by U.S. persons, and (ii) neither of the exceptions described below applies.

RPII generally includes "insurance income" (as defined below) from the direct or indirect insurance or reinsurance of any U.S. person who holds shares of the applicable non-U.S. insurance subsidiary (directly or indirectly through non-U.S. entities) or of a person related to such a U.S. person. In general, and subject to certain limitations, "insurance income" is income, including investment income and premium income, attributable to the issuing of any insurance or reinsurance contract that would be taxed under the portions of the Code relating to insurance companies if the income were the income of a U.S. insurance company. A non-U.S. insurance subsidiary may be considered to indirectly reinsure the risk of a U.S. person that holds shares, directly or indirectly, and thus generate RPII, if an unrelated company that insured such risk in the first instance reinsures the risk with such non-U.S. insurance subsidiary.

The RPII rules do not apply to income derived from a non-U.S. insurance subsidiary if (i) direct and indirect insureds and persons related to such insureds, whether or not U.S. persons, are treated as owning (directly or indirectly through entities) less than 20% of the voting power and less than 20% of the value of the shares of such non-U.S. insurance subsidiary or (ii) RPII, determined on a gross basis, is less than 20% of the gross insurance income of such non-U.S. insurance subsidiary for the taxable year. In general, our company believes that its non-U.S. insurance subsidiaries are likely to have operated in such a manner as to qualify for at least one of the foregoing exceptions. However, our company does not track the identity of shareholders or persons who are insured by its subsidiaries for this purpose, and therefore our company has made no formal determination as to whether either of the foregoing exceptions applies to any of its non-U.S. subsidiaries. Accordingly, there can be no assurance that the above RPII rules will not apply or that the IRS will agree with our company's conclusions regarding the application of the RPII rules.

The IRS has issued proposed Treasury Regulations providing guidance on certain aspects of the determination of RPII, including RPII arising from insurance coverage of a person related to a U.S. shareholder of a RPII CFC, as well as certain "cross-insurance" arrangements. Although we continue to evaluate the implications of the proposed regulations, we do not expect the proposed regulations, if finalized as proposed, to cause U.S. Holders to be treated as earning RPII.

If none of the exceptions described above applies to a non-U.S. insurance subsidiary for a taxable year, then each U.S. Holder of class A exchangeable shares on the last day of the taxable year will be taxable currently on its allocable share of the RPII of such subsidiary. RPII will be taxable to such U.S. Holder regardless of whether the holder is an insured or related to an insured. For this purpose, all of the RPII of such subsidiaries would be allocated solely to U.S. Holders, but not in excess of a U.S. Holder's ratable share, based on the extent of the holder's interest in our company, of the total income of such subsidiaries and limited by the relevant subsidiary's current year earnings and profits. A U.S. Holder that is a tax-exempt organization would be required to treat RPII as unrelated business taxable income.

RPII that is taxed to a U.S. Holder would increase the U.S. Holder's tax basis in the class A exchangeable shares to which it is allocable. Dividends distributed by a non-U.S. insurance subsidiary to our company and by our company to U.S. Holders would, under regulations, be deemed to come first out of taxed RPII and to that extent would not constitute income to the holder. This would be the result whether the dividend is distributed by our company in the same year in which the RPII is taxed or a later year. The untaxed dividend would decrease a U.S. Holder's tax basis in the class A exchangeable shares. Our company might seek information from its shareholders as to whether beneficial owners of class A exchangeable shares at the end of the year were U.S. persons, so that RPII could be apportioned among such persons. To the extent our company were unable to determine whether a beneficial owner of shares is a U.S. person, our company might assume that the owner is not a U.S. person for purposes of apportioning RPII, thereby increasing the per share RPII amount for all known U.S. Holders.

The RPII provisions are complex, and regulations interpreting the RPII provisions of the Code exist only in proposed form. Thus, the application of the RPII rules to a U.S. person who owns shares of a holding corporation, such as a U.S. Holder owning class A exchangeable shares of our company, is uncertain. In addition, any U.S. Holder who owns or is deemed to own 10% or more of either the total voting power or total value of all classes of stock of our company generally will be subject to additional rules under the complex regime for taxing U.S. shareholders of controlled foreign corporations generally. These additional rules are not addressed in this summary. U.S. Holders are urged to consult their tax advisers regarding the application of the foregoing rules, including the proposed Treasury Regulations, to their ownership and disposition of class A exchangeable shares, as well as any information reporting requirements on IRS Form 5471 (disclosing certain information regarding direct or constructive ownership of a non-U.S. insurance subsidiary) or other applicable IRS form.

Application of Section 1248 of the Code

A U.S. Holder who recognizes taxable gain from the sale or other taxable disposition of class A exchangeable shares (including by reason of the exercise of the exchange right), as described above under the heading "— Sale, Exchange, Redemption, or Other Disposition of Class A Exchangeable Shares", may be subject to additional rules under Section 1248 of the Code. Under Section 953(c)(7) of the Code, the rules of Section 1248 of the Code apply to the sale or exchange of shares of a non-U.S. corporation that would be taxed under the provisions of the Code applicable to U.S. insurance companies if it were a U.S. corporation and that is treated as an RPII CFC (regardless whether any of the exceptions described above for income derived from a non-U.S. insurance subsidiary applies). If Section 1248 of the Code applies under such circumstances, gain on the disposition of shares of the non-U.S. corporation may be recharacterized as a dividend to the extent of the U.S. person's share of the corporation's undistributed earnings and profits that were accumulated during the period that the U.S. person owned the shares (possibly whether or not those earnings and profits are attributable to RPII).

As discussed above, our company does not directly engage in an insurance or reinsurance business, but it has non-U.S. subsidiaries that do so. Existing proposed Treasury Regulations do not address whether Section 953(c)(7) of the Code may apply to the sale of stock of a non-U.S. corporation which has a non-U.S. subsidiary that is an RPII CFC and that would be taxed under the provisions of the Code applicable to U.S. insurance companies if it were a U.S. corporation. In the absence of legal authority, there is a strong argument that this specific rule should not apply to a disposition of class A exchangeable shares, because our company is not directly engaged in the insurance business. However, there can be no assurance that the IRS will not successfully assert that Section 953(c)(7) of the Code applies in such circumstances and thus may apply to a U.S. Holder who recognizes taxable gain from the sale or other taxable disposition of class A exchangeable shares. U.S. Holders are urged to consult their tax advisers regarding the potential for Section 1248 of the Code to apply to the sale or other taxable disposition of class A exchangeable shares, including any information reporting requirements on IRS Form 5471 or other applicable IRS form.

U.S. Federal Income Tax Consequences of the Ownership and Disposition of Brookfield Class A Shares Received Pursuant to the Exercise of the Exchange Right

Distributions on Brookfield Class A Shares

Subject to the discussion below under the heading "— Passive Foreign Investment Company Considerations", a U.S. Holder who receives distributions on Brookfield Class A Shares generally will be subject to U.S. federal income tax consequences substantially similar to those described above under the heading "U.S. Federal Income Tax Consequences of the Ownership and Disposition of Class A Exchangeable Shares — Distributions on Class A Exchangeable Shares". However, our company understands that Brookfield Corporation currently does not, and does not intend to, calculate its earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect each distribution generally to be reported as a dividend for U.S. federal income tax purposes, even if that distribution would otherwise be treated as a recovery of basis or as capital gain under the rules described above.

Sale, Exchange, Redemption, or Other Disposition of Brookfield Class A Shares

Subject to the discussion below under the heading "— Passive Foreign Investment Company Considerations", upon the sale, exchange, redemption, or other taxable disposition of Brookfield Class A Shares, a U.S. Holder generally will be subject to U.S. federal income tax consequences substantially similar to those described above in the first paragraph under the heading "U.S. Federal Income Tax Consequences of the Ownership and Disposition of Class A Exchangeable Shares — Sale, Exchange, Redemption, or Other Disposition of Class A Exchangeable Shares".

Passive Foreign Investment Company Considerations

If Brookfield Corporation were a PFIC for any taxable year during a U.S. Holder's holding period for Brookfield Class A Shares, then the holder generally would be subject to U.S. federal income tax consequences substantially similar to those described above under the heading "— U.S. Federal Income Tax Consequences of the Ownership and Disposition of Class A Exchangeable Shares — Passive Foreign Investment Company Considerations".

Our company understands that, based on the current and anticipated composition of the income, assets, and operations of Brookfield Corporation and its subsidiaries, Brookfield Corporation does not believe that it will be a PFIC for U.S. federal income tax purposes for the current taxable year or for future taxable years. However, the application of the PFIC rules is subject to uncertainty in several respects, and a separate determination must be made after the close of each taxable year as to whether Brookfield Corporation is a PFIC for that year. Changes in the composition of Brookfield Corporation's income or assets may cause Brookfield Corporation to become a PFIC. Accordingly, there can be no assurance that Brookfield Corporation will not be a PFIC for any taxable year.

As discussed above under the heading "— U.S. Federal Income Tax Consequences of the Ownership and Disposition of Class A Exchangeable Shares — Passive Foreign Investment Company Considerations", certain elections may be available to mitigate the adverse tax consequences of PFIC status. However, a U.S. Holder may make a QEF Election with respect to Brookfield Class A Shares only if Brookfield Corporation furnishes certain tax information to U.S. Holders annually, and there can be no assurance that such information will be provided. In lieu of making a QEF Election, if Brookfield Corporation is a PFIC for any taxable year and the Brookfield Class A Shares are treated as "marketable stock" in such year, then a U.S. Holder may avoid the unfavorable rules described above by making a mark-to-market election with respect to the holder's Brookfield Class A Shares. The Brookfield Class A Shares will be marketable if they are regularly traded on certain qualified exchanges, including the NYSE. However, there can be no assurance that trading in the Brookfield Class A Shares will be sufficiently regular for the shares to qualify as marketable stock. Moreover, the mark-to-market election generally is not expected to be available with respect to any non-U.S. subsidiary of Brookfield Corporation classified as a PFIC.

U.S. Holders are urged to consult their tax advisers regarding the application of the PFIC rules, including any applicable filing requirements, as well as the advisability of making any available election under the PFIC rules, with respect to their ownership and disposition of the Brookfield Class A Shares.

Medicare Tax

U.S. Holders that are individuals, estates, or trusts may be required to pay a 3.8% Medicare tax on the lesser of (i) the excess of such U.S. Holders' "modified adjusted gross income" (or "adjusted gross income" in the case of estates and trusts) over certain thresholds and (ii) such U.S. Holders' "net investment income" (or "undistributed net investment income" in the case of estates and trusts). For these purposes, "net investment income" will include a U.S. Holder's share of dividends on class A exchangeable shares and Brookfield Class A Shares, as well as gain upon the sale or other taxable disposition of class A exchangeable shares and Brookfield Class A Shares. Unless a U.S. Holder elects otherwise or holds class A exchangeable shares or Brookfield Class A Shares in connection with certain trades or businesses, the RPII and PFIC provisions generally will not apply for purposes of determining a U.S. Holder's net investment income. U.S. Holders are urged to consult their tax advisers regarding the implications of the 3.8% Medicare tax for the ownership and disposition of class A exchangeable shares and Brookfield Class A Shares.

Backup Withholding and Information Reporting

Payments of dividends to a U.S. Holder and proceeds from the sale or other disposition of class A exchangeable shares or Brookfield Class A Shares may, under certain circumstances, be subject to information reporting and backup withholding, unless the holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and generally will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. persons are required to report information relating to interests in "specified foreign financial assets", including shares issued by a non-U.S. corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds certain thresholds, subject to certain exceptions (including an exception for shares held in a custodial account maintained with a U.S. financial institution). Penalties may be imposed for a failure to disclose such information. U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of these additional reporting requirements on their ownership and disposition of class A exchangeable shares or Brookfield Class A Shares.

Changes in U.S. Tax Law

The tax treatment of non-U.S. companies, their U.S. and non-U.S. insurance subsidiaries, and investors in such non-U.S. companies has been significantly altered by the Tax Cuts and Jobs Act. There is significant uncertainty regarding how certain provisions of the Tax Cuts and Jobs Act are interpreted. Although some guidance has been provided, much of it is only in proposed form, and further guidance may not be forthcoming. In addition, it is possible that "technical corrections" or other legislation could be enacted that would alter or clarify the Tax Cuts and Jobs Act, and any such alterations or clarifications could have retroactive effect. The effect of any changes to, clarifications of, or guidance under the Tax Cuts and Jobs Act could add significant expense and have a material adverse effect on our business, financial condition, and operating results or a U.S. Holder's ownership and disposition of class A exchangeable shares.

The tax treatment of non-U.S. companies and their U.S. and non-U.S. insurance subsidiaries may be the subject of future legislation. We cannot predict whether any particular proposed legislation will be enacted or, if enacted, what the specific provisions or the effective date of any such legislation would be, or whether it would have any effect on us. As a result, no assurance can be given that future legislative, administrative, or judicial developments will not result in an increase in the amount of U.S. tax payable by us or by a holder of class A exchangeable shares or will not reduce the attractiveness of our platform and adversely affect our business. If any such developments occur, our business, financial condition, and operating results could be materially and adversely affected, and such developments could have a material and adverse effect on an investment in class A exchangeable shares.

The U.S. federal income tax laws and interpretation, including with respect to whether a company is engaged in a U.S. trade or business (or has a U.S. permanent establishment) or is a PFIC, or whether U.S. persons would be required to include RPII in their gross income, are subject to change, possibly on a retroactive basis. Furthermore, new regulations or pronouncements interpreting or clarifying these or other rules may be forthcoming. We cannot predict the effect of any new guidance on our company or U.S. Holders.

FATCA

FATCA imposes a 30% withholding tax on “withholdable payments” made to a “foreign financial institution” or a “non-financial foreign entity”, unless such financial institution or entity satisfies certain information reporting or other requirements. Withholdable payments include certain U.S.-source income, such as interest, dividends, and other passive income. The IRS has issued regulations that provide for the phased implementation of the FATCA withholding requirements.

We intend to comply with FATCA, so as to ensure that the 30% withholding tax does not apply to any withholdable payments received by our company or any of our non-U.S. subsidiaries. In compliance with FATCA, information regarding ownership of our class A exchangeable shares may be reported to the IRS or to a non-U.S. governmental authority. FATCA remains subject to modification by an applicable intergovernmental agreement between the United States and another country, such as the agreement in effect between the United States and Bermuda for cooperation to facilitate the implementation of FATCA, or by future Treasury Regulations or guidance. U.S. Holders are urged to consult their tax advisers regarding the consequences under FATCA of owning and disposing of class A exchangeable shares.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO OUR COMPANY, BROOKFIELD CORPORATION, AND HOLDERS OF CLASS A EXCHANGEABLE SHARES AND BROOKFIELD CLASS A SHARES ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE EFFECT OF EXISTING INCOME TAX LAWS, THE MEANING AND IMPACT OF WHICH ARE UNCERTAIN, AND OF PROPOSED CHANGES IN INCOME TAX LAWS WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH HOLDER OF CLASS A EXCHANGEABLE SHARES OR BROOKFIELD CLASS A SHARES, AND IN REVIEWING THIS ANNUAL REPORT ON FORM 20-F THESE MATTERS SHOULD BE CONSIDERED. EACH HOLDER OF CLASS A EXCHANGEABLE SHARES OR BROOKFIELD CLASS A SHARES SHOULD CONSULT ITS OWN TAX ADVISER WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF CLASS A EXCHANGEABLE SHARES AND BROOKFIELD CLASS A SHARES.

Certain Material Canadian Federal Income Tax Considerations

The following summary describes the principal Canadian federal income tax consequences under the Tax Act and the regulations thereunder with respect to the holding and disposition of class A exchangeable shares and Brookfield Class A Shares received on a redemption, exchange or other disposition of class A exchangeable shares to our company or Brookfield Corporation, to a shareholder who is a beneficial owner of such shares, and who, at all relevant times, for the purposes of the Tax Act, (i) deals at arm's length with our company and Brookfield Corporation, (ii) is not affiliated with our company and Brookfield Corporation, and (iii) holds the class A exchangeable shares and Brookfield Class A Shares as capital property (a "**Holder**"). Generally, the class A exchangeable shares and Brookfield Class A Shares will be capital property to a Holder provided the Holder does not acquire or hold such shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary assumes that our company is not and will not become, at any time, a resident of Canada for the purposes of the Tax Act. If our company is (or becomes) resident in Canada for the purposes of the Tax Act, the Canadian federal income tax consequences to a Holder will be different in some material respects from those described in this summary.

This summary is not applicable to a holder: (i) that is a "specified financial institution" (as defined in the Tax Act), (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act), (iii) that is a "financial institution" for purposes of the "mark-to-market property" rules in the Tax Act, (iv) that reports its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency, (v) in respect of whom our company is or will be, at any time, a "foreign affiliate" for the purposes of the Tax Act, (vi) that has or will enter into a "derivative forward agreement" or a "dividend rental arrangement" (each as defined in the Tax Act) in respect of the class A exchangeable shares or Brookfield Class A Shares, (vii) that is a partnership, or (viii) that is exempt from tax under the Tax Act. Such Holders should consult their own tax advisors. This summary does not address the deductibility of interest on money borrowed with respect to the class A exchangeable shares or Brookfield Class A Shares.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, and counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action or decision, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations concerning the tax consequences to any particular Holder or prospective Holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Holders and prospective Holders should consult their own tax advisors with respect to an investment in the class A exchangeable shares having regard to their own particular circumstances.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition or deemed disposition of class A exchangeable shares or Brookfield Class A Shares must be expressed in Canadian currency. Amounts denominated in another currency must be converted into Canadian currency using the applicable rate of exchange (pursuant to the Tax Act) quoted by the Bank of Canada on the date such amounts arose, or such other rate of exchange as is acceptable to the CRA.

Taxation of Holders Resident in Canada

The following portion of the summary is applicable to a Holder who, at all relevant times is resident or is deemed to be resident in Canada under the Tax Act (a "**Resident Holder**").

Certain Holders whose Brookfield Class A Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act, the effect of which may be to deem any such Brookfield Class A Shares (and all other "Canadian securities", as defined in the Tax Act) owned by such Holder to be capital property in the taxation year in which the election is made and in all subsequent taxation years. Holders whose Brookfield Class A Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. The class A exchangeable shares will not be "Canadian securities" for the purpose of the irrevocable election under subsection 39(4) of the Tax Act and therefore no such election will apply to the class A exchangeable shares. Holders who do not hold the class A exchangeable shares as capital property should consult their own tax advisors regarding their particular circumstances.

Holding and Disposing of Class A Exchangeable Shares

Returns of Capital

Any return of capital distributions paid or payable to a Resident Holder in a taxation year on the class A exchangeable shares will not be included in computing the Resident Holder's income but will reduce the adjusted cost base of the Resident Holder's class A exchangeable shares. To the extent that a Resident Holder's adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Resident Holder and the adjusted cost base of the class A exchangeable shares to the Resident Holder will be nil immediately thereafter. The income tax consequences discussed below for Resident Holders under "— Taxation of Capital Gains and Capital Losses" will generally apply to any such deemed capital gains realized by the Resident Holder.

Dividends

The full amount of dividends received (or deemed to be received) on the class A exchangeable shares by a Resident Holder who is an individual (other than certain trusts) will be included in computing the Resident Holder's income and will not be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from "taxable Canadian corporations" (as defined in the Tax Act). Dividends received by an individual (other than certain trusts) may give rise to alternative minimum tax under the Tax Act, depending on the individual's circumstances.

Dividends received on the class A exchangeable shares by a Resident Holder that is a corporation will be included in computing the corporate Resident Holder's income and such Resident Holder will not be entitled to the inter-corporate dividend deduction in computing taxable income which generally applies to dividends received from taxable Canadian corporations.

A Resident Holder that is throughout the relevant taxation year a Canadian-controlled private corporation may be liable to pay an additional refundable tax on its "aggregate investment income", which is defined in the Tax Act to include dividends or deemed dividends that are not deductible in computing taxable income. The additional tax and refund mechanism in respect of "aggregate investment income" would also apply to "substantive CCPCs", as defined in the Proposed Amendments. Resident Holders are advised to consult their own tax advisors in this regard.

Subject to the detailed rules in the Tax Act, a Resident Holder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to dividends received by the Resident Holder on the class A exchangeable shares to the extent and under the circumstances described in the Tax Act. Resident Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction having regard to their own particular circumstances.

Redemptions, Exchanges and Other Dispositions of the Class A Exchangeable Shares

A Resident Holder who disposes of, or who is deemed to dispose of, a class A exchangeable share, including a disposition to our company (whether on a redemption by our company or otherwise) or a disposition to Brookfield Corporation (whether on an exchange at the request of the Resident Holder, pursuant to the exercise by Brookfield Corporation of its call rights or otherwise), will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the Resident Holder's adjusted cost base of such share and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below.

Where class A exchangeable shares are redeemed by our company or our company is liquidated, dissolved or wound-up and the redemption amount or liquidation entitlement, as applicable, is satisfied by our company in Brookfield Class A Shares or where Brookfield Corporation satisfies the exchange request of a Resident Holder or exercises its call rights in connection with a redemption or liquidation, dissolution or winding-up of our company, as applicable, and the consideration for the satisfaction of the exchange request, or the exercise of the call rights, as applicable, is satisfied by Brookfield Corporation in Brookfield Class A Shares, the proceeds of disposition will be equal to the fair market value, at the time of the acquisition, of the Brookfield Class A Shares acquired by such Resident Holder plus the amount of any cash received in lieu of fractional Brookfield Class A Shares. The cost of the Brookfield Class A Shares so acquired by the Resident Holder will be averaged with the adjusted cost base of all other Brookfield Class A Shares, if any, held by the Resident Holder as capital property at such time for the purpose of determining thereafter the adjusted cost base of each Brookfield Class A Share held by the Resident Holder.

Taxation of Capital Gains and Capital Losses

In general, one-half of a capital gain realized by a Resident Holder must be included in computing such Resident Holder's income as a taxable capital gain. One-half of a capital loss must be deducted as an allowable capital loss against net taxable capital gains realized in the year and any remainder may be deducted against taxable capital gains in any of the three preceding taxation years or any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

Individuals or trusts (other than certain trusts) may be subject to an alternative minimum tax under the Tax Act in respect of net capital gains realized by them.

A Resident Holder that is throughout its taxation year a "Canadian-controlled private corporation" may be liable to pay an additional refundable tax on its "aggregate investment income", which includes an amount in respect of net taxable capital gains. The additional tax and refund mechanism in respect of "aggregate investment income" would also apply to "substantive CCPCs", as defined in the Proposed Amendments. Resident Holders are advised to consult their own tax advisors in this regard.

Foreign Property Information Reporting

Generally, a Resident Holder that is a "specified Canadian entity" (as defined in the Tax Act) for a taxation year or a fiscal period and whose total "cost amount" of "specified foreign property" (as such terms are defined in the Tax Act), including the class A exchangeable shares, at any time in the year or fiscal period exceeds C$100,000 will be required to file an information return with the CRA for the year or fiscal period disclosing certain prescribed information in respect of such property. Subject to certain exceptions, a Resident Holder generally will be a specified Canadian entity. The class A exchangeable shares will be specified foreign property of a Resident Holder for these purposes. Penalties may apply where a Resident Holder fails to file the required information return in respect of such Resident Holder's specified foreign property on a timely basis in accordance with the Tax Act.

The reporting rules in the Tax Act relating to specified foreign property are complex and this summary does not purport to address all circumstances in which reporting may be required by a Resident Holder. Resident Holders should consult their own tax advisors regarding compliance with the reporting rules contained in the Tax Act.

Offshore Investment Fund Property

The "offshore investment fund property rules" (the "**OIFP Rules**") in the Tax Act may require a Resident Holder to include in income in each taxation year an amount in respect of acquiring, holding or having a class A exchangeable share.

These rules may apply to a Resident Holder in respect of a class A exchangeable share if two conditions are satisfied: (a) the value of the class A exchangeable share may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of the capital stock of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (collectively, "**Investment Assets**"); and (b) it may reasonably be concluded, having regard to all the circumstances (including certain specified circumstances), that one of the main reasons for the Resident Holder acquiring, holding or having a class A exchangeable share was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act had the income, profits and gains been earned directly by the Resident Holder.

If applicable, these rules would generally require a Resident Holder to include in income for each taxation year in which the Resident Holder owns a class A exchangeable share an imputed return for the taxation year for each class A exchangeable share owned that is determined by reference to a prescribed rate of interest plus two percent applied to the "designated cost" (as defined in section 94.1 of the Tax Act) of the class A exchangeable share less the Resident Holder's income for the year (other than a capital gain) from the class A exchangeable share determined without reference to the OIFP Rules. Any amount required to be included in computing a Resident Holder's income under these provisions will be added to the adjusted cost base and the designated cost to the Resident Holder of the class A exchangeable share.

The OIFP Rules are complex and their application will potentially depend, in part, on the reasons for a Resident Holder acquiring, holding or having the class A exchangeable shares. Resident Holders are urged to consult their own tax advisors regarding the application and consequences of these rules in their own particular circumstances.

Holding and Disposing of Brookfield Class A Shares

The following portion of the summary is applicable to a Resident Holder who receives Brookfield Class A Shares on a redemption, exchange or other disposition of class A exchangeable shares to our company or Brookfield Corporation.

Dividends

The full amount of dividends received (or deemed to be received) on Brookfield Class A Shares by a Resident Holder who is an individual (other than certain trusts) will be included in computing the Resident Holder's income subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations. Such dividends will be eligible for the enhanced gross-up and dividend tax credit if Brookfield Corporation designates such dividends as an eligible dividend. Dividends received by an individual (other than certain trusts) may give rise to alternative minimum tax under the Tax Act, depending on the individual's circumstances.

Subject to the potential application of subsection 55(2) of the Tax Act, dividends received or deemed to be received on the Brookfield Class A Shares by a Resident Holder that is a corporation will be included in computing the Resident Holder's income and generally will also be deductible in computing its taxable income. Private corporations or subject corporations may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Brookfield Class A Shares to the extent that such dividends are deductible in computing taxable income.

Subsection 55(2) of the Tax Act provides that where a corporate Resident Holder receives a dividend, and such dividend is deductible in computing the corporate Resident Holder's income and is not subject to Part IV tax (or is subject to Part IV tax that is refundable as part of the series of transactions that includes the receipt of the dividend), all or part of the dividend may in certain circumstances be treated as a capital gain from the disposition of a capital property, the taxable portion of which must be included in computing the corporate Resident Holder's income for the year in which the dividend was received. Accordingly, corporate Resident Holders should consult their own tax advisors for specific advice with respect to the potential application of this provision.

A Resident Holder that is throughout its taxation year a "Canadian-controlled private corporation" may be liable to pay an additional refundable tax on its "aggregate investment income", which includes dividends or deemed dividends that are not deductible in computing taxable income. The additional tax and refund mechanism in respect of "aggregate investment income" would also apply to "substantive CCPCs", as defined in the Proposed Amendments. Resident Holders are advised to consult their own tax advisors in this regard.

Disposition of Brookfield Class A Shares

A disposition or deemed disposition of Brookfield Class A Shares (other than to Brookfield Corporation, unless purchased by Brookfield Corporation in the open market in the manner in which shares are normally purchased by any member of the public in the open market) by a Resident Holder will generally result in a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the Resident Holder's adjusted cost base of such share and any reasonable costs of disposition. For this purpose, the adjusted cost base to a Resident Holder of Brookfield Class A Shares will be determined at any time by averaging the cost of such Brookfield Class A Shares with the adjusted cost base of any other Brookfield Class A Shares owned by the Resident Holder as capital property at that time.

The tax treatment of such capital gains and capital losses is described above under "— Taxation of Capital Gains and Capital Losses". However, the amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Brookfield Class A Share may be reduced by the amount of any dividends received or deemed to be received by the Resident Holder on such Brookfield Class A Share to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a Brookfield Class A Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Resident Holders should consult their own advisors.

Eligibility for Investment

Based on the current provisions of the Tax Act and the regulations thereunder, (i) provided that the class A exchangeable shares are listed on a "designated stock exchange" (as defined in the Tax Act and which currently includes the TSX and the NYSE), the class A exchangeable shares would be a qualified investment under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), deferred profit sharing plan and a tax-free savings account ("**TFSA**") (collectively, "**Registered Plans**"), and (ii) provided that the Brookfield Class A Shares are listed on a designated stock exchange, or that Brookfield Corporation is otherwise a "public corporation" (as defined in the Tax Act) at the time the Brookfield Class A Shares are acquired in connection with a redemption, exchange or other disposition to our company or to Brookfield Corporation, the Brookfield Class A Shares, would, at such time, be a qualified investment under the Tax Act for Registered Plans.

Notwithstanding that class A exchangeable shares or Brookfield Class A Shares, as applicable, may be a qualified investment for a TFSA, RDSP, RRSP, RRIF or RESP, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF or the subscriber of an RESP, as the case may be, would be subject to a penalty tax in respect of the class A exchangeable shares or Brookfield Class A Shares, as applicable, if such class A exchangeable shares or Brookfield Class A Shares, as applicable, are a "prohibited investment" for purposes of the Tax Act for such Registered Plans. Based on the current provisions of the Tax Act, the class A exchangeable shares and Brookfield Class A Shares, as applicable, would not be a prohibited investment for a TFSA, RDSP, RRSP, RRIF or RESP, provided that the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as the case may be, (i) deals at arm's length with our company or Brookfield Corporation, as applicable, for purposes of the Tax Act and (ii) does not have a "significant interest" (as defined in subsection 207.01(4) of the Tax Act) in our company or Brookfield Corporation, as applicable. In addition, the class A exchangeable shares and Brookfield Class A Shares, as applicable, would not be a prohibited investment if the class A exchangeable shares or Brookfield Class A Shares, as applicable, are "excluded property" (as defined in subsection 207.01(1) the Tax Act) for a TFSA, RDSP, RRSP, RRIF or RESP.

Holders who hold or intend to hold the class A exchangeable shares or Brookfield Class A Shares received on a redemption, exchange or other disposition of class A exchangeable shares to our company or Brookfield Corporation, in a Registered Plan should consult their own tax advisors with respect to the application of these rules in their particular circumstances.

Taxation of Holders not Resident in Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold the class A exchangeable shares or Brookfield Class A Shares received on a redemption, exchange or other disposition of class A exchangeable shares to our company or Brookfield Corporation in a business carried on in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada and elsewhere.

Holding and Disposing of Class A Exchangeable Shares

Returns of Capital

Any return of capital distributions paid or payable to a Non-Resident Holder in a taxation year on the class A exchangeable shares will not be subject to Canadian withholding tax or other income tax under the Tax Act but will reduce the adjusted cost base of the Non-Resident Holder's class A exchangeable shares. To the extent that a Non-Resident Holder's adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Non-Resident Holder and the adjusted cost base of the class A exchangeable shares to the Non-Resident Holder will be nil immediately thereafter.

A Non-Resident Holder will not be subject to tax under the Tax Act on such deemed capital gain realized by the Non-Resident Holder unless the class A exchangeable shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at that time. The circumstances under which the class A exchangeable shares will constitute taxable Canadian property of a Non-Resident Holder and the consequences of realizing a capital gain for a Non-Resident Holder are discussed below under "— Redemptions, Exchanges and Other Dispositions of the Class A Exchangeable Shares". Our company has advised counsel that it does not believe the class A exchangeable shares will constitute taxable Canadian property as discussed further below under "— Taxable Canadian Property".

Dividends

Dividends paid in respect of class A exchangeable shares to a Non-Resident Holder will not be subject to Canadian withholding tax or other income tax under the Tax Act.

Redemptions, Exchanges and Other Dispositions of the Class A Exchangeable Shares

A Non-Resident Holder will not be subject to tax under the Tax Act on a disposition or deemed disposition of a class A exchangeable share, including a disposition to our company (whether on a redemption by our company or otherwise) or a disposition to Brookfield Corporation (whether on an exchange at the request of the Non-Resident Holder, pursuant to the exercise by Brookfield Corporation of its call rights or otherwise), unless the class A exchangeable share constitutes taxable Canadian property of the Non-Resident Holder at the time of the disposition or deemed disposition. The circumstances under which the class A exchangeable shares will constitute taxable Canadian property of a Non-Resident Holder are discussed below. Our company has advised counsel that it does not believe the class A exchangeable shares will constitute taxable Canadian property, as discussed further below under "— Taxable Canadian Property".

In the event that the class A exchangeable share constitutes taxable Canadian property of a Non-Resident Holder and any capital gain that would be realized on the disposition (or deemed disposition) thereof is not exempt from tax under the Tax Act pursuant to an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident, then the income tax consequences discussed above for Resident Holders under "Taxation of Holders Resident in Canada — Redemptions, Exchanges and Other Dispositions of the Class A Exchangeable Shares" will generally apply to the Non-Resident Holder.

Where class A exchangeable shares are redeemed by our company or our company is liquidated, dissolved or wound-up and the redemption amount or liquidation amount, as applicable, is satisfied by our company in Brookfield Class A Shares or where Brookfield Corporation satisfies the exchange request of a Non-Resident Holder or exercises its call rights in connection with such redemption or liquidation, dissolution or winding-up of our company, as applicable, and the consideration for the satisfaction of the exchange request, or exercise of the call rights, as applicable, is satisfied by Brookfield Corporation in Brookfield Class A Shares, the proceeds of disposition will be equal to the fair market value, at the time of the acquisition, of the Brookfield Class A Shares acquired by such Non-Resident Holder plus the amount of any cash received in lieu of fractional Brookfield Class A Shares. The cost of the Brookfield Class A Shares so acquired by the Non-Resident Holder will be equal to the fair market value thereof at the time of the acquisition. The cost of the Brookfield Class A Shares so acquired will be averaged with the adjusted cost base of all other Brookfield Class A Shares, if any, held by the Non-Resident Holder as capital property at such time for the purpose of determining thereafter the adjusted cost base of each Brookfield Class A Share held by the Non-Resident Holder.

Holding and Disposing of Brookfield Class A Shares

The following portion of the summary applies to a Non-Resident Holder who receives Brookfield Class A Shares on a redemption, exchange or other disposition of class A exchangeable shares to our company or Brookfield Corporation.

Dividends

Dividends paid or credited (or deemed to be paid or credited) on Brookfield Class A Shares by Brookfield Corporation to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25%, subject to a possible reduction under the terms of an applicable income tax treaty or convention. For example, the rate of withholding tax applicable to a dividend paid on a Brookfield Class A Share to a Non-Resident Holder who (i) is a resident of the United States for purposes of the Canada-United States Income Tax Convention (1980), as amended (the "**Convention**"), and (ii) beneficially owns the dividend and is fully entitled to the benefits of the Convention, will generally be reduced to 15% (or 5% in certain cases where such Non-Resident Holder is a corporation that beneficially owns at least 10% of Brookfield Corporation's voting shares). Non-Resident Holders should consult their own tax advisors in this regard.

Disposition of Brookfield Class A Shares

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of a Brookfield Class A Share, unless the Brookfield Class A Share constitutes taxable Canadian property of the Non-Resident Holder for purposes of the Tax Act at the time of the disposition or deemed disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

The circumstances under which a Brookfield Class A Share will constitute taxable Canadian property of a Non-Resident Holder are discussed below. Brookfield Corporation has advised counsel that it does not believe the Brookfield Class A Shares will constitute taxable Canadian property, as discussed further below under "— Taxable Canadian Property".

In the event that the Brookfield Class A Share constitutes taxable Canadian property of a Non-Resident Holder and any capital gain that would be realized on the disposition thereof is not exempt from tax under the Tax Act pursuant to an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident, then the income tax consequences discussed above for Resident Holders under "Taxation of Holders Resident in Canada — Holding and Disposing of Brookfield Class A Shares – Disposition of Brookfield Class A Shares" will generally apply to the Non-Resident Holder.

Taxable Canadian Property

Provided that the class A exchangeable shares or Brookfield Class A Shares, as applicable, are listed on a "designated stock exchange" (as defined in the Tax Act and which currently includes the TSX and the NYSE), the class A exchangeable shares or Brookfield Class A Shares, as applicable, will generally not constitute taxable Canadian property of a Non-Resident Holder at a particular time unless, at any time during the sixty-month period immediately preceding that time, the following two conditions are met concurrently: (a) 25% or more of the issued shares of any class of our company or Brookfield Corporation, as applicable, were owned by or belonged to one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length, and (iii) partnerships in which the Non-Resident Holder or persons with whom the Non-Resident Holder did not deal at arm's length holds a membership interest, directly or indirectly through one or more other partnerships; and (b) more than 50% of the fair market value of the class A exchangeable shares or Brookfield Class A Shares, as applicable, was derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act), and (iv) options in respect of, or interests or rights in, property described in (i) to (iii), whether or not the property exists. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, the class A exchangeable shares or Brookfield Class A Shares may be deemed to be taxable Canadian property of a Non-Resident Holder.

Our company and Brookfield Corporation have advised counsel that they do not believe the class A exchangeable shares or Brookfield Class A Shares, as applicable, will constitute taxable Canadian property at any relevant time because none of the conditions in (b) above are expected to be met at any relevant time.

10.F DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G STATEMENT OF EXPERTS

Not applicable.

10.H DOCUMENTS ON DISPLAY

Any statement in this Form 20-F about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Form 20-F the contract or document is deemed to modify the description contained in this Form 20-F. You must review the exhibits themselves for a complete description of the contract or document.

As a foreign private issuer under the SEC's regulations, we will file annual reports on a Form 20-F and other reports on Form 6-K. The information disclosed in our reports may be less extensive than that required to be disclosed in annual and quarterly reports on Forms 10-K and 10-Q required to be filed with the SEC by U.S. issuers. Moreover, as a foreign private issuer, we will not be subject to the proxy requirements under Section 14 of the Exchange Act, and our directors and principal shareholders are not subject to the insider short swing profit reporting and recovery rules under Section 16 of the Exchange Act.

The contracts and other documents referred to in this Form 20-F, and our SEC filings are and will be available on our EDGAR profile at www.sec.gov, and certain of these documents are also available on our website at bnre.brookfield.com.

In addition, our company is required to file documents required by Canadian securities laws electronically with Canadian securities regulatory authorities and these filings are available on our SEDAR profile at www.sedar.com. Written requests for such documents should be directed to Corporate Secretary at Ideation House, First Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda, Tel: +1 (441)-405-7811.

Brookfield Corporation is subject to the information and periodic reporting requirements of the U.S. Exchange Act and fulfills the obligations with respect to those requirements by filing reports with the SEC. Brookfield Corporation also is required to file documents with the securities regulatory authority in each of the provinces and territories in Canada. Annual reports, quarterly reports, period reports on Form 6-K Interactive Data Files and other SEC filings for Brookfield Corporation are available and may be accessed free of charge through the Investors section of its Internet website under the "Reports & Filings" subsection, as soon as reasonably practicable after those documents are filed with, or furnished to, the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be accessed at www.sec.gov. In addition, Brookfield Corporation's filings are electronically available from SEDAR, at www.sedar.com. The information found on, or accessible through, the website set forth above is not incorporated into and does not form a part of this Form 20-F.

10.I SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the information contained in this Form 20-F under Item 5.A "Operating Results — Risk Management and Financial Instruments".

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2022, an evaluation of the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) was carried out under the supervision and with the participation of persons performing the functions of principal executive and principal financial officers for us and the Service Providers. Based upon that evaluation, the persons performing the functions of principal executive and principal financial officers for us have concluded that, as of December 31, 2022, our disclosure controls and procedures were effective.

It should be noted that while our management, including persons performing the functions of principal executive and principal financial officers for us, believe our disclosure controls and procedures provide a reasonable level of assurance that such controls and procedures are effective, they do not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including persons performing the functions of principal executive and principal financial officers for us, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022, based on the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on evaluation under Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2022. Excluded from our evaluation were internal controls over financial reporting at American National, for which control was acquired on May 25, 2022. The financial statements of this entity constitute approximately 68% of total assets, 44% of revenues and 56% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2022.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who have also audited the financial statements of our company, as stated in their reports which are included herein.

Changes in Internal Control

There was no change in our internal control over financial reporting during the year ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

16.A AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Lars Rodert possesses specific accounting and financial management expertise and that he is the audit committee financial expert as defined by the SEC, and that he is independent within the meaning of the rules of the NYSE. Our board of directors has also determined that other members of the Audit Committee have sufficient experience and ability in finance and compliance matters to enable them to adequately discharge their responsibilities.

16.B CODE OF ETHICS

Our board has adopted the Code of Business Conduct and Ethics, a copy of which is available on our company's SEDAR profile at www.sedar.com and EDGAR profile at www.sec.gov and is available on our website at https://bnre.brookfield.com/sites/brookfield-bnre/files/bnre/corporate-governance/governance-documents/code-of-business-conduct-and-ethics. See Item 6.C "Board Practices — Code of Business Conduct and Ethics".

16.C PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our company has retained Deloitte LLP (PCAOB ID No. 1208) to act as our company's principle accountant.

The table below summarizes the fees for professional services rendered by Deloitte LLP for the audit of our annual financial statements for the year ended December 31, 2022 and December 31, 2021. A majority of the fees to Deloitte LLP are billed and settled in Canadian dollars. In order to provide comparability with our company's financial statements, which are reported in U.S. dollars, all Canadian dollar amounts in the table have been converted to U.S. dollars at an average annual rate.

(MILLIONS)	**2022**	**2021**
Audit Fees [(1)]	**$9.4**	$2.1
Tax Fees [(2)]	**0.4**	—

(1) Audit fees include fees for the audit of our annual consolidated financial statements, internal control over financing reporting and interim reviews of the consolidated financial statements included in our quarterly interim reports. This fee also includes fees for the audit or review of financial statements for certain of our subsidiaries.

(2) Tax fees are principally for assistance in tax compliance and tax advisory services.

Our Audit Committee pre-approves all audit and non-audit services provided to our company by Deloitte LLP.

16.D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE

None.

16.E PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Our company may from time-to-time, subject to applicable law, purchase class A exchangeable shares for cancellation in the open market, provided that any necessary approval has been obtained. For the year ended December 31, 2022, no such purchases was made.

16.F CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

16.G CORPORATE GOVERNANCE

We believe our corporate governance practices are not materially different from those required of U.S. domestic corporations under NYSE listing standards.

16.H MINE SAFETY DISCLOSURE

Not applicable.

16.I DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See our financial statements beginning on page F-1, which are filed as part of this Form 20-F.

ITEM 19. EXHIBITS

1.1 Certificate of Incorporation and Memorandum of Association of Brookfield Reinsurance Ltd. (incorporated by reference to Exhibit 3.1 of our company's Form F-1 filed with the SEC on April 1, 2021)

1.2 Second Amended & Restated Bye-laws of Brookfield Reinsurance Ltd., dated June 24, 2022 (incorporated by reference to Exhibit 3.1 of our company's Form 6-K filed with the SEC on June 28, 2022)

1.3 Certificate of Name Change of Brookfield Reinsurance Ltd., dated December 9, 2022 (incorporated by reference to Exhibit 99.1 of our company's Form 6-K filed with the SEC on December 15, 2022)

1.4 Amended and Restated Certificate of Designation of Class A Junior Preferred Shares, Series 1 of Brookfield Reinsurance Ltd. (incorporated by reference to Exhibit 99.1 of our company's Form 6-K filed with the SEC on November 1, 2022)

1.5 Certificate of Designate of Class A Junior Preferred Shares, Series 2 of Brookfield Reinsurance Ltd. (incorporated by reference to Exhibit 99.1 of our company's Form 6-K filed with the SEC on December 15, 2022)

2.1 Description of Securities*

4.1 Amended and Restated Rights Agreement, dated March 21, 2023, by and among Brookfield Corporation, Brookfield Reinsurance Ltd. and Wilmington Trust, National Association*

4.2 Amended and Restated Administration Agreement, dated August 5, 2022, by and between Brookfield Corporation and Brookfield Reinsurance Ltd. (incorporated by reference to Exhibit 99.1 of our company's Form 6-K filed with the SEC on August 11, 2022)

4.3 Equity Commitment Agreement, dated June 28, 2021, by and between Brookfield Corporation and Brookfield Reinsurance Ltd. (incorporated by reference to Exhibit 99.3 of our company's Form 6-K filed with the SEC on June 29, 2021)

4.4 Trademark Sublicence Agreement, dated June 28, 2021, by and between Brookfield Corporation and Brookfield Reinsurance Ltd. (incorporated by reference to Exhibit 99.4 of our company's Form 6-K filed with the SEC on June 29, 2021)

4.5 Amended and Restated Support Agreement, dated March 21, 2023, by and between Brookfield Corporation and Brookfield Reinsurance Ltd.*

4.6 Credit Agreement, effective as of June 28, 2021, by and among BAM Re Holdings Ltd., North End Re (Cayman) SPC, North End Re Ltd. and Brookfield Annuity Company as Borrowers, BAM Re Holdings Ltd. as Guarantor and Brookfield US Holdings Inc. and Brookfield International Holdings Inc. as Lenders (incorporated by reference to Exhibit 99.6 of our company's Form 6-K filed with the SEC on June 29, 2021)

4.7 Amendment to Investment Agreement, dated June 10, 2021, by and among Brookfield Corporation, Brookfield Reinsurance Ltd., North End Re (Cayman) SPC and American Equity Investment Life Holding Company (incorporated by reference to Exhibit 99.7 of our company's Form 6-K filed with the SEC on June 29, 2021)

4.8 Investment Agreement, dated October 17, 2020, by and among American Equity Investment Life Holding Company, Brookfield Corporation and Burgundy Acquisitions I Ltd. (incorporated by reference to Exhibit 10.7 of our company's Form F-1 filed with the SEC on April 1, 2021)

4.9 Assignment Agreement, Consent and Waiver in Anticipation of Regulatory Form A Filing, dated February 28, 2021, by and among Brookfield Corporation, Burgundy Acquisitions I Ltd., Brookfield Reinsurance Ltd., North End Re (Cayman) SPC and American Equity Investment Life Holding Company (incorporated by reference to Exhibit 10.8 of our company's Form F-1 filed with the SEC on April 1, 2021)

4.10 Agreement and Plan of Merger, dated February 8, 2023, by and among Brookfield Reinsurance Ltd., BNRE Bermuda Merger Sub Ltd. and Argo Group International Holdings Ltd. (incorporated by reference to Exhibit 2.1 of our company's Form 6-K filed with the SEC on February 9, 2023)

8.1 List of Subsidiaries of Brookfield Reinsurance Ltd. (incorporated by reference to Item 4.C, "Organizational Structure")

12.1 Certification of Sachin Shah, Chief Executive Officer of Brookfield Reinsurance Ltd., pursuant to Section 302 of the Sarbanes Oxley Act of 2002*

12.2 Certification of Thomas Corbett, Chief Financial Officer of Brookfield Reinsurance Ltd., pursuant to Section 302 of the Sarbanes Oxley Act of 2002*

13.1 Certification of Sachin Shah, Chief Executive Officer of Brookfield Reinsurance Ltd., pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002*

13.2 Certification of Thomas Corbett, Chief Financial Officer of Brookfield Reinsurance Ltd., pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002*

** Filed electronically herewith.*

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing this Form 20-F and that it has duly caused and authorized the undersigned to sign this Form 20-F on its behalf.

Dated: March 31, 2023	**BROOKFIELD REINSURANCE LTD.**

By:	/s/ Anna Knapman-Scott	
	Name:	Anna Knapman-Scott
	Title:	Corporate Secretary

BROOKFIELD REINSURANCE LTD.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Reinsurance Ltd.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brookfield Reinsurance Ltd. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the combined consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated March 31, 2023, expressed an unqualified opinion on those financial statements.

As described in Management's Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at American National Group, LLC, which was acquired on May 25, 2022, and whose financial statements constitute 68% of total assets, 44% of revenues, and 56% of net income of the combined consolidated financial statement amounts as of and for the year ended December 31, 2022. Accordingly, our audit did not include the internal control over financial reporting at American National Group, LLC.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 31, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Reinsurance Ltd.

Opinion on the Financial Statements

We have audited the accompanying combined consolidated statements of financial position of Brookfield Reinsurance Ltd. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related combined consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes, and the schedule of the Condensed Financial Statements of Brookfield Reinsurance Ltd. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

American National Insurance Company Acquisition – Future policy benefits – Refer to Notes 2 and 3 to the financial statements

Critical Audit Matter Description

The Company acquired 100% of the equity of American National Insurance Company ("American National") and recognized an estimate of the initial fair value of net assets acquired, including future policy benefits. The estimate of the assumed future policy benefits required the use of complex valuation models using best estimate assumptions.

While there were a number of estimates and assumptions required to determine the initial fair value of the future policy benefits, the assumptions with the greatest estimation uncertainty are those related to discount rates, net to gross premium ratio and mortality assumptions. Auditing of certain valuation models and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related the valuation models and assumptions related to discount rates, net to gross premium ratio and mortality as it relates to the assumed future policy benefits included the following, among others:

- With the assistance of actuarial specialists, tested the reasonableness of valuation assumptions, by:
    - Evaluating whether management's assumptions were determined in accordance with actuarial principles and practices;
    - Testing the inputs used in the determination of discount rates, net to gross premium and mortality assumptions, including an assessment of the use of experience studies, and considering industry and other external sources of data, where applicable;
    - Analyzing management's interpretation and judgments based on the relative inputs, considering reasonable possible alternative assumptions, and considering industry and other external sources of data, where applicable.
- With the assistance of actuarial specialists, tested the appropriateness of valuation methodologies used in the estimation process by:
    - Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology;
    - Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected and key assumptions were incorporated in those actuarial models; and,
    - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's results.

Future Policy Benefits — Refer to Notes 2(aa) and 13 to the financial statements

Critical Audit Matter Description

The Company has significant future policy benefits representing the majority of its total liabilities. The Company uses different actuarial methodologies to determine future policy benefits depending on the nature of the underlying contract products and applicable jurisdictional guidance, as is permitted by IFRS 4, Insurance Contracts, some of which involve high levels of complexity.

While there are many assumptions which management makes to determine future policy benefits, excluding businesses acquired in the year, the assumptions with the greatest uncertainty are those related to mortality and surrender, lapse and withdrawal rates (collectively "policyholder behaviour"). These assumptions required subjective and complex auditor judgment in certain circumstances, including where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) the policyholder behaviour may be irrational. Auditing of certain valuation methodologies and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation methodologies and assumptions related to mortality and policyholder behaviour included the following, among others:

- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions, by:
    - Evaluating management's methods and assumptions in accordance with applicable actuarial principles and practices under actuarial standards of practice;
    - Testing inputs used in the determination of the mortality and policyholder behaviour assumptions; and,
    - Analyzing management's methods and interpretation of data used to adjust industry tables, applying industry guidance, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of data, where applicable.
- With the assistance of actuarial specialists, tested the appropriateness of valuation methodologies used in the estimation process by:
    - Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology;
    - Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected and key assumptions were incorporated in those actuarial models; and,
    - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's results.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 31, 2023

We have served as the Company's auditor since 2016.

COMBINED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DEC. 31 US$ MILLIONS	Note	2022	2021
Assets			
Cash and cash equivalents	4	**$ 2,145**	$ 393
Investments	4	**28,098**	4,943
Accrued investment income		**341**	21
Premiums due and other receivables		**436**	—
Reinsurance funds withheld	5	**5,610**	4,650
Derivative assets	4	**44**	146
Deferred tax asset	19	**531**	20
Property and equipment	6	**194**	2
Prepaid pension	25	**154**	—
Equity accounted investments	7	**1,673**	344
Deferred acquisition costs	8	**1,732**	776
Reinsurance assets	13,14	**570**	169
Investment properties	9	**562**	—
Other assets	10	**262**	29
Goodwill	3,11	**102**	—
Separate account assets	12	**1,045**	—
Total assets		**43,499**	11,493
Liabilities			
Future policy benefits	13	**15,771**	8,497
Policyholders' account balances	13	**14,310**	—
Policy and contract claims	14	**1,786**	—
Unearned premium reserve		**1,086**	—
Due to related parties	23	**309**	467
Reinsurance payable		**90**	75
Derivative liabilities	4	**38**	1
Other policyholder funds		**322**	—
Notes payable	4	**151**	—
Corporate borrowings	16	**2,160**	693
Subsidiary borrowings	16	**1,492**	—
Deferred revenue		**78**	82
Liabilities issued to reinsurance entities		**151**	167
Funds withheld liabilities	4	**10**	12
Preferred shares	20	**2,512**	—
Other liabilities	17	**731**	64
Separate account liabilities	12	**1,045**	—
Total liabilities		**42,042**	10,058
Equity			
Class A exchangeable and Class B		**432**	539
Class C		**1,017**	896
Non-controlling interests		**8**	—
Total equity		**1,457**	1,435
Total liabilities and equity		**$ 43,499**	$ 11,493

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	2022	2021	2020
Premiums				
Gross		**$ 4,910**	$ 7,163	$ 431
Ceded		**(650)**	(1)	(1)
Net premiums		**4,260**	7,162	430
Other policy revenue		**224**	—	—
Net investment income	4	**336**	1	84
Net investment results from funds withheld	4	**281**	78	—
Total revenues		**5,101**	7,241	514
Income from equity accounted investments	7	**222**	8	—
Benefits and claims paid on insurance contracts	14			
Gross		**2,019**	310	63
Ceded		**(384)**	(18)	(25)
Change in future policy benefits	13			
Gross		**2,150**	6,958	457
Ceded		**39**	22	11
Interest credited to policyholders' account balances		**156**	—	—
Commissions for acquiring and servicing policies		**412**	—	—
Changes in deferred acquisition costs	8	**(383)**	(44)	—
Other reinsurance expenses		**125**	19	—
Operating expenses	18	**433**	35	6
Interest expense		**196**	9	—
Total benefits and expenses		**4,763**	7,291	512
Net income (loss) before income taxes		**560**	(42)	2
Current tax expense	19	**(21)**	—	(1)
Deferred tax expense	19	**(47)**	(2)	—
Net income (loss) for the year		**$ 492**	$ (44)	$ 1
Attributable to:				
Brookfield Corporation[1]		**—**	5	1
Class A exchangeable and Class B shareholders[2]		**6**	3	—
Class C shareholders[2]		**484**	(52)	—
Non-controlling interests		**2**	—	—
		$ 492	$ (44)	$ 1
Net income (loss) per class C share				
Basic	21	**$ 15.68**	$ (2.58)	

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the periods June 28, 2021 onward. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	Note	**2022**	2021	2020
Net income (loss)		**$ 492**	$ (44)	$ 1
Other comprehensive income (loss) that will be reclassified to net income (loss)				
Equity accounted other comprehensive income (loss)	7	**—**	44	—
Net unrealized loss on available for sale securities		**(1,009)**	(55)	1
Net realized gain on derivatives		**29**	—	—
Income tax recovery (expense)	19	**186**	—	—
Foreign currency translation		**(19)**	(4)	2
Other comprehensive income (loss) that will not be reclassified to net income (loss)				
Defined benefit pension plan adjustment	25	**(12)**	—	—
Income tax recovery	19	**2**	—	—
Total other comprehensive (loss) income		**(823)**	(15)	3
Comprehensive (loss) income		**$ (331)**	$ (59)	$ 4
Attributable to:				
Brookfield Corporation[1]		**—**	6	4
Class A & B Shareholders[2]		**6**	3	—
Class C Shareholders[2]		**(339)**	(68)	—
Non-controlling interests		**2**	—	—
		$ (331)	$ (59)	$ 4

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the periods June 28, 2021 onward. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Class A exchangeable and Class B shareholders: Share Capital	Class A exchangeable and Class B shareholders: Accumulated Surplus	Class A exchangeable and Class B shareholders: Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders: Class A exchangeable and Class B shareholders	Class C shareholders: Share Capital	Class C shareholders: Accumulated Surplus (Deficit)	Class C shareholders: Accumulated Other Comprehensive Loss	Class C shareholders: Class C shareholders	Non-controlling interests	Total Equity
Balance as at January 1, 2022	**$ 536**	**$ 3**	**$ —**	**$ 539**	**$ 963**	**$ (51)**	**$ (16)**	**$ 896**	**$ —**	**$ 1,435**
Changes in the year:										
Net income	—	6	—	**6**	—	484	—	**484**	**2**	**492**
Other comprehensive loss	—	—		**—**	—	—	(823)	**(823)**	**—**	**(823)**
Comprehensive income (loss)	—	6	—	**6**	—	484	(823)	**(339)**	**2**	**(331)**
Other items:										
Equity issuances	—	—	—	**—**	450	—	—	**450**	**11**	**461**
Distributions[1]	(59)	—	—	**(59)**	—	—	—	**—**	**(5)**	**(64)**
Derecognition of equity accounted investments	—	—	—	**—**	—	—	(44)	**(44)**	—	**$ (44)**
Other	(54)	—	—	**(54)**	54	—	—	**54**	**—**	**—**
Total change in the year	(113)	6	—	**(107)**	504	484	(867)	**121**	**8**	**22**
Balance as at December 31, 2022	**$ 423**	**$ 9**	**$ —**	**$ 432**	**$ 1,467**	**$ 433**	**$ (883)**	**$ 1,017**	**$ 8**	**$ 1,457**

1. The company distributed $0.14 in the form of a return of capital per each Class A exchangeable and Class B share in each quarter of 2022. In addition, the company completed a special distribution of shares of Brookfield Asset Management Ltd. (the "Manager shares") to the holders of the company's class A exchangeable shares and class B shares in the amount of $5.481 per share in the fourth quarter of 2022.

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Brookfield Corporation				Class A exchangeable and Class B shareholders				Class C shareholders					
	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Brookfield Corporation	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income	Class C shareholders	Non-controlling interests	Total Equity
Balance as at January 1, 2021	**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**
Changes in the year:														
Net income (loss)	—	5	—	**5**	—	3	—	**3**	—	(52)	—	**(52)**	**—**	**(44)**
Other comprehensive income (loss)	—	—	1	**1**	—	—	—	**—**	—	—	(16)	**(16)**	**—**	**(15)**
Comprehensive income	—	5	1	**6**	—	3	—	**3**	—	(52)	(16)	**(68)**	**—**	**(59)**
Other items:														
Equity issuances / Reorganization[1]	(78)	—	—	**(78)**	539	—	—	**539**	963	—	—	**963**	**—**	**1,424**
Return of capital[2]	—	—	—	**—**	(3)	—	—	**(3)**	—	—	—	**—**	—	**(3)**
Common control transaction adjustments[3]	—	(6)	(5)	**(11)**	—	—	—	**—**	—	1	—	**1**	**—**	**(10)**
Total change in the year	(78)	(1)	(4)	**(83)**	536	3	—	**539**	963	(51)	(16)	**896**	**—**	**1,352**
Balance as at December 31, 2021	**$ —**	**$ —**	**$ —**	**$ —**	**$ 536**	**$ 3**	**$ —**	**$ 539**	**$ 963**	**$ (51)**	**$ (16)**	**$ 896**	**$ —**	**$ 1,435**

1. See Note 1(b) for details regarding the Spin-off and reorganization.
2. The company distributed $0.13 in the form of a return of capital per each Class A exchangeable and Class B share in the third and fourth quarters of 2021.
3. See Note 2(c) for details regarding the common control transaction.

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Brookfield Corporation				Class A exchangeable and Class B shareholders				Class C shareholders					
	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Brookfield Corporation	Share Capital	Accumulated Surplus	Accumulated Other Comprehensive Income	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income	Class C shareholders	Non-controlling interests	Total Equity
Balance as at January 1, 2020	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**
Changes in the year:														
Net income	—	1	—	**1**	—	—	—	**—**	—	—	—	**—**	**—**	**1**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**—**	**3**
Comprehensive income	—	1	3	**4**	—	—	—	**—**	—	—	—	**—**	**—**	**4**
Other items:														
Equity issuances	13	—	—	**13**	—	—	—	**—**	—	—	—	**—**	**—**	**13**
Total change in the year	13	1	3	**17**	—	—	—	**—**	—	—	—	**—**	**—**	**17**
Balance as at December 31, 2020	**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021	2020
Operating activities			
Net income	**$ 492**	$ (44)	$ 1
Non-cash items affecting net income			
Premiums received in kind	**(1,097)**	(167)	—
Amortization and accretion on investments	**(47)**	—	—
Depreciation	**13**	—	—
Unrealized losses on investments and derivatives	**452**	6	(51)
Effect of foreign exchange rates	**(8)**	—	—
Deferred income tax	**65**	2	1
Income from equity accounted investments	**(222)**	(8)	—
Interest credited to policyholders' account balances	**156**	—	—
Net capitalized interest on policy loans and mortgage loans	**(17)**	—	—
Realized gain on investments and derivatives	**21**	(23)	—
Changes in non-cash balances related to operations			
Changes in accrued investment income	**(222)**	—	—
Changes in reinsurance funds withheld	**(960)**	(4,650)	—
Changes in deferred tax asset	**(6)**	(24)	—
Changes in prepaid pension	**(8)**	—	—
Changes in deferred acquisition costs	**(382)**	(776)	—
Changes in reinsurance assets	**50**	22	10
Changes in future policy benefits	**2,236**	7,152	457
Changes to policyholders' account balances	**(212)**	—	—
Changes in funds withheld liabilities	**—**	—	12
Changes in working capital and other	**384**	202	(1)
Operating activities affecting cash			
Income tax paid	**(52)**	—	—
Realized gains on investments and derivatives	**6**	(4)	(3)
Purchase of derivatives	**(66)**	(133)	—
Proceeds from disposal of derivatives	**45**	79	—
Dividend and interest income received	**(514)**	(53)	(27)
Other non-cash items	**—**	—	—
Cash flows from operating activities	**107**	1,581	399
Investing activities			
Acquisition of subsidiary, net of cash acquired	**(4,086)**	—	—
Dividends and interest received	**514**	53	27
Purchase of investments			
Corporate bonds	**(2,759)**	(1,480)	(971)
Government and treasuries	**(7,018)**	(2,755)	—
Private debt	**(503)**	(181)	—
Common equity	**(493)**	(644)	—
Preferred shares	**(42)**	—	—
Private equity and other	**(1,446)**	(235)	—
Asset-backed securities	**(16)**	—	—
Mortgages	**(1,398)**	(185)	—
Private loans	**(1,537)**	(512)	(4)
Purchase of short term investments	**(6,583)**	—	—

Proceeds from sales and maturities of investments			
Corporate bonds	**3,936**	386	561
Government and treasuries	**7,804**	1,615	—
Private debt	**143**	—	—
Common equity	**362**	20	—
Private equity and other	**138**	1	1
Asset-backed securities	**21**	—	—
Mortgages	**916**	18	—
Private loans	**58**	36	2
Proceeds from disposal of short term investments	**7,957**	—	—
Distributions from equity accounted investments	**233**	—	—
Change in collateral held for derivatives	**8**	—	—
Purchase of equity accounted investments	**(695)**	—	—
Purchase of investment properties	**(37)**	—	—
Proceeds from disposal of investment properties	**4**	—	—
Proceeds from disposal of derivative instruments	**146**	—	—
Proceeds from disposal of property and equipment	**5**	—	—
Purchase of intangibles and property and equipment	**(24)**	(1)	(1)
Other	**51**	—	—
Cash flows from investing activities	**(4,341)**	(3,864)	**(385)**
Financing activities			
Issuance of common equity	**450**	1,410	13
Issuance of preferred equity	**2,512**	—	—
Return of capital	**(6)**	(8)	—
Borrowings from related parties	**258**	960	—
Repayments of borrowings to related parties	**(633)**	(582)	—
Borrowings from external parties	**5,206**	693	—
Repayment of borrowings to external parties	**(2,239)**	—	—
Borrowings issued to reinsurance entities	**50**	167	—
Repayment of borrowings issued to reinsurance entities	**(100)**	—	—
Policyholders' account deposits	**1,407**	—	—
Policyholders' account withdrawals	**(896)**	—	—
Debt issuance costs	**(10)**	—	—
Payments to non-controlling interests	**(5)**	—	—
Proceeds from repurchase agreement	**388**	464	222
Repayments of repurchase agreement	**(388)**	(464)	(222)
Cash flows from financing activities	**5,994**	2,640	13
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**393**	35	13
Net change during the year	**1,760**	357	27
Foreign exchange on cash balances held in foreign currencies	**(8)**	1	(5)
Cash and cash equivalents, end of year	**$ 2,145**	$ 393	$ 35
Supplementary cash flow disclosures			
Interest paid	**$ 85**	$ 8	$ —

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

(a) Brookfield Reinsurance Ltd.

Brookfield Reinsurance Ltd. (“Brookfield Reinsurance” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The company’s class A exchangeable shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol "BNRE". In December 2022, the company changed its name from Brookfield Asset Management Reinsurance Partners Ltd. to Brookfield Reinsurance Ltd. and changed its trading symbol from "BAMR" to "BNRE". The company’s operations are located primarily in Bermuda, the United States, Canada, and the Cayman Islands. The company’s registered head office is Ideation House, 1st Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda.

The company holds a direct 100% ownership interest in BAM Re Holdings Ltd. (“BAM Re Holdings”), which holds the company’s interest in its operating subsidiaries North End Re Ltd. (“NER Ltd.”), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC") and American National Insurance Group, LLC (“American National”).

The company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, the company offers a broad range of insurance products including life insurance and annuities, and personal and commercial property and casualty insurance. The business is presently conducted through our subsidiaries under three operating segments: Reinsurance, Pension Risk Transfer ("PRT") and Direct Insurance.

(b) Spin-off of Brookfield Reinsurance Ltd.

On June 28, 2021, Brookfield Corporation (“Brookfield”), formerly Brookfield Asset Management Inc., completed the spin-off of the company (the “Spin-off”), which was affected by way of a special dividend of the class A exchangeable limited voting shares (“class A exchangeable shares”) of the company to holders of Brookfield Class A limited voting shares (“Brookfield Class A Shares”) and Class B limited voting shares (“Brookfield Class B Shares”) as of June 18, 2021 (the “record date”). Pursuant to the special dividend, as of the record date, holders of Brookfield Class A Shares and Class B Shares received one class A exchangeable share for every 145 Brookfield Class A Shares or Class B Shares held. Brookfield holds all the class C non-voting shares (“class C shares”), giving it the residual economic interest in the company, but no voting interest in it.

Prior to the Spin-off, Brookfield effected a reorganization so that the company’s PRT business (the “Business”) and other investments that were historically owned and operated by Brookfield, through its operating entities, were acquired by BAM Re Holdings, a subsidiary of the company.

The following describes the transactions and agreements resulting from the Spin-off:

(i) Class A exchangeable shares

As part of the Spin-off, Brookfield subscribed for 11 million class A exchangeable shares for approximately $538 million in cash. Upon Spin-off, Brookfield distributed the 11 million class A exchangeable shares as a special dividend to the Brookfield shareholders who hold Brookfield Class A Shares and Brookfield Class B Shares.

(ii) Class B shares

As part of the Spin-off, holders of class B shares (“Brookfield Reinsurance Class B Partners”), through a voting trust, subscribed for 24,000 class B shares for $1 million.

(iii) Class C shares

As part of the Spin-off, Brookfield transferred its ownership in the Business along with its holdings of American Equity Investment Life Holding Company ("AEL Holdings") common shares and additional cash for working capital purposes to the company. The total value of the consideration provided to the company was approximately $712 million, which was exchanged for 17 million class C shares. In October 2021, the company issued an additional 7 million class C shares to Brookfield for consideration of $250 million. In May 2022, the company issued an additional 11 million class C shares to Brookfield for consideration of $450 million. As at December 31, 2022, there were 41 million class C shares outstanding (December 31, 2021 - 24 million). Brookfield owns all the issued and outstanding class C shares.

(iv) Equity Commitment

As part of the Spin-off, Brookfield provided to the company an equity commitment in the amount of $2.0 billion to fund future growth, which the company may draw on from time to time. The equity commitment may be called by the company in exchange for the issuance of a number of class C shares or junior preferred shares. Further details of the equity commitment are described in Note 23.

(v) Credit Agreement

As part of the Spin-off, the company entered into a credit agreement with Brookfield (the "Brookfield Credit Agreement") as lender on June 28, 2021, providing for a three-year revolving $200 million credit facility. On March 9, 2022, the revolving credit facility agreement was increased to $400 million. Further details of the Brookfield Credit Agreement are described in Note 23.

(vi) Support Agreement

As part of the Spin-off, the company entered into a support agreement with Brookfield (the "Support Agreement"). Brookfield has agreed to support the economic equivalence of the class A exchangeable shares and Brookfield Class A Shares for so long as class A exchangeable shares not owned by Brookfield are outstanding, and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable the company to pay quarterly distributions, the liquidation amount, or the amount payable on a redemption of class A exchangeable shares, as the case may be. Further details of the Support Agreement are described in Note 23.

(vii) Rights Agreement

As part of the Spin-off, the company entered into a rights agreement with Brookfield (the "Rights Agreement"), pursuant to which Brookfield has agreed that on the applicable specified exchange date with respect to any class A exchangeable shares submitted for exchange, Brookfield will satisfy, or cause to be satisfied, the obligations pursuant to our memorandum of association and by-laws to exchange such subject class A exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. Further details of the Rights Agreement are described in Note 23.

(viii) Administration Agreement

As part of the Spin-off, the company entered into an administration agreement with Brookfield (the "Administration Agreement"), pursuant to which Brookfield has agreed to provide administrative services to the company, including the services of our Chief Executive Officer and Chief Investment Officer and certain other administrative services, on a cost-recovery basis. On August 5, 2022, the Administration Agreement was amended to include providing the services of the Chief Financial Officer. Further details of the Administration Agreement are described in Note 23.

(ix) Investment Management Agreement

As part of the Spin-off, the company entered into one or more Investment Management Agreements appointing Brookfield as the investment manager of certain assets and accounts, including assets backing the liabilities assumed by the company under the insurance and future reinsurance arrangements, and any assets held as surplus. Further details of the Brookfield Investment Management Agreements are described in Note 23.

(x) Licensing Agreement

As part of the Spin-off, the company entered into a licensing agreement with Brookfield (the “Brookfield Licensing Agreement”), pursuant to which Brookfield has granted a non-exclusive, royalty-free sub-license to use the name “Brookfield” and the Brookfield logo. Further details of the Brookfield Licensing Agreement are described in Note 23.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Combined Consolidated Financial Statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated.

The financial statements were authorized for issue by the Board of Directors of the company on March 31, 2023.

(b) Basis of Consolidation

The financial statements include the accounts of the company and its consolidated subsidiaries, which are the entities over which the company has control. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

(c) Continuity of Interest

As described above, Brookfield Reinsurance was established on December 10, 2020 by Brookfield and on June 28, 2021 Brookfield completed the spin-off of the Business to the company and the special dividend declaration to holders of Brookfield's Class A and B Shares. Brookfield controlled the Business prior to the Spin-off and has significant influence over the company subsequent to the spin-off through its interests in the company. The Business was transferred before spin-off, as part of the reorganization, and therefore the transactions were common control transactions. In accordance with the company's and Brookfield's accounting policy, the company has reflected the Business in its financial position and results of operations using Brookfield's carrying values prior to the spin-off.

In addition, certain investments were transferred as part of the reorganization. These are treated as asset acquisitions and are also considered common control transactions. The company's accounting policy is to record the common control asset acquisitions on the date of occurrence at the historical carrying value, with any gain or loss against the consideration paid being recorded in equity. To reflect this continuity of interest, these financial statements provide comparative information of the Business for the periods prior to the spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the spin-off have been reflected prospectively from the date of the spin-off and have not been reflected in the results of operations or financial position of the company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the company, including the adjustments associated with the spin-off and the execution of several agreements (see Note 23). Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

(d) Class A exchangeable shares

As described in Note 1 (b)(i), the company's equity interests include the class A exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield), plus unpaid distributions. Brookfield currently intends to satisfy any exchange requests on the class A exchangeable shares through the delivery of Brookfield Class A Shares rather than cash. Each class A exchangeable share, held on the record date, has voting rights and is entitled to cast one vote at a meeting of shareholders of the company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the company and as a result are not adjusted for changes in market value.

(e) Class B shares

As described in Note 1 (b)(ii), the company's equity interests include the class B shares held by Brookfield Reinsurance Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The Brookfield Reinsurance Class B Partners are entitled to one vote on any matter and can cast one vote for each class B share held at the record date.

The class B shares are classified as equity instruments. The class B shares are issued capital of the company and as a result are not adjusted for changes in market value.

(f) Class C shares

As described in Note 1 (b)(iii), the company's equity interests include the class C shares held by Brookfield. The class C shares are non-voting shares that are entitled to the residual economic interest in the company after payment in full of the amount due to holders of our class A exchangeable shares and our class B shares and subject to the prior rights of holders of the Preferred Shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the company and as a result are not adjusted for changes in market value.

(g) Preferred shares

On May 25, 2022, the company issued 98,351,547 Class A Junior Preferred Shares, Series 1 ("preferred shares"), to Brookfield, for proceeds of $2.5 billion. Each preferred share is non-voting and is redeemable at $25 per share. On December 9, 2022, Brookfield Reinsurance issued 2,108,733 Class A Junior Preferred Shares, Series 2 ("preferred shares") for $53 million to Brookfield. Each of these preferred shares is redeemable, together with any accrued and unpaid dividends, at the option of the issuer, subject to certain restrictions. Further, these preferred shares entitle the holders thereof to a fixed cumulative 4.5% preferential cash dividend payable annually as and when declared by the issuer's board of directors. At December 31, 2022, there was $67 million of accrued dividends (December 31, 2021 - $Nil).

The Class A Junior Preferred Shares are retractable by the holder, at par value together with an amount equal to all dividends accrued and unpaid, on demand, at any point on or after seventh anniversary of the date of issue. The preferred shares are recognized as liability due to the redemption nature on the Combined Consolidated Statements of Financial Position ("Statements of Financial Position") and are classified as amortized cost. The dividends are recognized as interest expense on the Combined Consolidated Statements of Operations ("Statements of Operations").

(h) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree, if applicable, is initially measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

Transaction costs are recorded as operating expenses on the Statements of Operations.

(i) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and short-term investments with original maturities of 90 days or less. The company classifies cash and cash equivalents at amortized cost.

Cash and cash equivalents exclude cash balances, demand deposits and short term investments that are for use by the company as part of the reinsurance funds withheld arrangement (Note 2(m)).

(j) Short term investments

Short term investments are primarily term deposit and commercial paper with original maturities of over 90 days and less than one year.

(k) Investments

Investments are financial assets which are comprised of debt securities, equity securities and loans and receivables. The company uses settlement date to account for private investment transactions and trade date to account for other investment transactions.

Financial assets are classified into one of the following categories:

- Available for sale ("AFS") assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- Fair value through profit or loss ("FVTPL") assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets supporting future policy benefits within our PRT business are classified as loans and receivables or designated as FVTPL. Financial assets supporting modified coinsurance reserves within reinsurance treaties are designated as FVTPL. Any changes in the fair value of the underlying assets matched to the future policy benefits are directly reflected in the future policy benefits. Unless the asset is deemed to be impaired, changes in the fair value of assets matching these liabilities and changes in the corresponding future policy benefits are directly recognized in the Statements of Operations in order to avoid a mismatch that would otherwise arise. Transaction costs related to FVTPL investments are recognized within net investment income on the Statements of Operations as incurred.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment. Transaction costs and certain fees the company receives related to loans and receivables are capitalized as a part of the carrying value at initial recognition.

Financial assets are classified according to their nature and use by the company at the time of initial recognition. The remaining financial assets other than FVTPL and loans and receivables are classified as AFS. Unrealized gains (losses) are recognized in other comprehensive income. Upon realization, gains or losses are reclassified to the Statements of Operations and recorded in net investment income. Transaction costs related to AFS investments are capitalized as a part of the carrying value at initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income and presented in realized gains (losses) on investments within net investment income.

(l) Derivative financial instruments and hedge accounting

The company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, cross currency swaps, interest rate swaps, equity-indexed options and bond futures. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in the fair value of derivatives are recorded in net investment income in the Statements of Operations.

Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is assurance that it will continue to be effective as a hedge based on an expectation of offsetting fair values. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. For those derivatives which qualify and have been designated as fair value hedges, net income includes the changes in the fair value of both the derivative instrument and the hedged risk. The hedged item carrying amount shall be adjusted for the gain or loss.

In some instances, the company holds collateral to offset exposure from its counterparties relating to its derivative instruments. Collateral that supports credit risk is reported in the Statements of Financial Position as an offset to other invested assets with an associated payable to other liabilities for excess collateral.

Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the Statements of Financial Position. Changes in the fair value are included in the net investment results from funds withheld in the Statements of Operations.

(m) Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which NER Ltd. and NER SPC, indirect wholly owned subsidiaries of the company, act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies’ general accounts and are managed by NER Ltd. and NER SPC. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, NER Ltd. and NER SPC would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. and NER SPC have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by NER Ltd. and NER SPC. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments (Note 2(l)).

(n) Investment in associates, joint ventures and other limited partnership interests

Associates are entities over which the company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Other limited partnership interests are partnership arrangements in which the company has the ability to exercise significant influence over the investee’s operations, but it does not have a controlling interest and is not the primary beneficiary.

The equity method is used to account for the company’s investments in associates, joint ventures and other limited partnership interests within the Statements of Financial Position and the Statements of Operations.

Interests in associates, joint ventures and other limited partnership interests accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate or joint venture or other limited partnership interests is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate or joint venture or other limited partnership interests is greater than the company’s proportionate share of the underlying fair value, goodwill relating to the associate or joint venture or other limited partnership interests is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the company’s interest in an associate or joint venture or other limited partnership interests is adjusted for the company’s share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture or other limited partnership interests are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates or joint ventures or other limited partnership interests is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 7.

(o) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to thirty years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

(p) Intangible assets

Intangible assets consist of capitalized costs of estimated fair value of computer software, distributor relationships, trade name and insurance licenses. Intangible assets are included in other assets within the Statements of Financial Position.

Definite-lived intangible assets are carried at cost less accumulated amortization. Amortization expense is primarily calculated using the straight-line amortization method.

The company assesses the impairment of definite-lived intangible assets in accordance with its policy for the impairment of property and equipment. The company assesses the impairment of indefinite-lived intangible assets in accordance with its policy for the impairment of goodwill.

(i) *Distributor Relationships*

The distribution assets reflect relationships American National has with third-party intermediaries that sell new business for the company. These assets are valued using the multi-period excess-earnings method, which derives value based on the present value of the after-tax cash flows attributable to the intangible asset only. The average useful life of distributor relationships is 19 years.

(ii) *Trade Name*

This represents American National's trade name and was valued using the relief from royalty method, which derives value based on present value of the after-tax royalty savings attributable to owning the intangible asset. The useful life of the trade name is 10 years.

(iii) *Insurance Licenses*

Given the highly regulated nature of the insurance industry, companies are required to hold certain licenses to operate. These licenses are valued using the comparable transaction method based on observable license transactions in the insurance industry. Insurance licenses represent an indefinite-lived intangible asset.

(q) Deferred acquisition costs and value of business acquired

Deferred policy acquisition costs (“DAC”) are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance, reinsurance, and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

DAC on Reinsurance business is amortized over the life of the policies in proportion to the estimated gross profits. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as DAC to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances.

Effective October 1, 2022, the company made a change in accounting policy to treat the difference between the amount paid for reinsurance contracts and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts as the cost of reinsurance that is deferred and amortized over the reinsurance contract. This was applied retrospectively as it resulted in reliable and more relevant information about the effects of the reinsurance treaty on the company's financial conditions and performance.

DAC on traditional life, including limited-pay contracts, and health products is amortized with interest over the anticipated premium-paying period of the related policies in proportion to the ratio of annual premium revenue expected to be received over the life of the policies. Expected premium revenue is estimated by using the same mortality, morbidity, and withdrawal assumptions used in computing liabilities for future policy benefits.

DAC on universal life and investment-type contracts is amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect of the realization of unrealized gains (losses) on DAC is recognized in net unrealized loss on available for sale securities in the Statements of Financial Position as of the reporting date. A change in interest rates could have a significant impact on DAC calculated for these contracts.

DAC associated with property and casualty business is amortized over the coverage period of the related policies, in relation to premiums earned.

DAC on participating whole life products is amortized in proportion to estimated gross margins. Estimated gross margins are equal to premiums, plus investment income, less benefits, less expenses not included in DAC, less the change in reserves, less dividends.

For short-duration and long-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts.

Value of Business Acquired ("VOBA") is the intangible asset representing the value assigned to contracts already in force.

In conjunction with the acquisition of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from cash flows and earnings of associated insurance policies and investment contracts. This intangible asset is based on the actuarially estimated present value of future cash flows from associated insurance policies and investment contracts acquired. The estimated present value of future cash flows used in the calculation of VOBA is based on certain assumptions, including mortality, persistency, expenses and interest rates that the company believes to be those of a market participant. The company amortizes VOBA based on the estimated premium earning patterns.

(r) Reinsurance assets

In the normal course of business, BAC and American National are users of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC and American National remain liable to its policyholders for the portion reinsured.

Reinsurance assets are estimated amounts due to the company from reinsurers related to paid and unpaid ceded claims and claim adjustment expenses ("CAE") and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under our non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of IBNR using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and our estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

At each reporting date, the reinsurance assets, if any, are assessed for impairment. If there is objective evidence that the reinsurance assets are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

(s) Investment properties

Investment properties are held primarily to earn rental income or capital appreciation or for both, but are not for sale in the ordinary course of business. The company accounts for its investment properties in accordance with IAS 40 Investment Property (“IAS 40”). Investment properties including related improvements are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 15 to 50 years). Rental income is recognized on a straight-line basis over the term of the respective lease and is measured, depreciated and assessed for impairment in the same manner as property and equipment.

(t) Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is allocated to the cash-generating unit or units to which it relates. The company identifies cash-generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated value-in-use and fair value less costs of disposal. Impairment losses recognized in respect of a cash-generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash-generating unit. Any goodwill impairment is charged to profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. In the year of a business acquisition, the recoverability of the acquired goodwill is assessed by revisiting the assumptions of the related underwriting model.

The company assesses the impairment of goodwill by reviewing the value-in-use or fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The company uses the following significant assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating unit, discount rates, terminal capitalization rates, terminal valuation dates, useful lives and residual values.

(u) Separate account assets and liabilities

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of the company. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. The company reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from the company's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, the company's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the Statements of Operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of the company.

(v) Assets pledged as collateral

The company receives and pledges collateral in respect to certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Statements of Financial Position as the company retains all rights related to these assets.

Collateral received is not recognized in the Statements of Financial Position unless the company acquires the rights relating to the economic risks and rewards related to these assets.

(w) Collateralized borrowing transactions

Securities sold under repurchase agreements are collateralized borrowing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at amortized cost and are recorded at amounts at which the securities were initially sold.

The company recognizes an asset in the Statements of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Statements of Financial Position, when the criteria to offset are met.

(x) Classification of financial instruments

Accrued investment income, reinsurance recoverable, premium due and other receivables, due from related party, private loans, mortgage loans, other loans and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, note payable, corporate borrowings, subsidiary borrowings, and other liabilities have been classified as other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Further details of the financial instruments are described in Note 4.

(y) Right of offset

Amounts presented in these financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For derivative financial instruments, the company has a right of offset in the event of default, insolvency, bankruptcy or other early termination under the master netting agreements. As our rights of offset are conditional, derivative financial instruments are not offset in the Statements of Financial Position.

(z) Impairment

At each reporting date, financial assets are assessed for impairment indicators. The company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. For AFS equity investments, a significant and prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer's financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Statements of Operations.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Statements of Operations.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. In addition, irrespective of whether there is any indication of impairment, intangible assets not yet available for use are tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(aa) Future policy benefits

Contract classifications

Contracts under which the company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts (“IFRS 4”) on the Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

Future policy benefits are determined by BAC using the Canadian Asset Liability Method (“CALM”), in accordance with the standards of the Canadian Institute of Actuaries (“CIA”) and as permitted by IFRS 4. BAC’s Appointed Actuary is responsible for determining the amount of future policy benefits in accordance with standards established by the CIA. CALM is used to determine future policy benefits and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that future policy benefits cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Future policy benefits are determined by NER Ltd. using a reserve methodology under accounting principles generally accepted in the United States of America ("US GAAP"), as permitted by IFRS 4. Future policy benefits are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders’ accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Future policy benefits are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Future policy benefits are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Future policy benefits for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy’s life. The host value’s accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider (“LIBR”) benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

Future policy benefits are determined by American National using US GAAP reserve methodology, as permitted by IFRS 4. Liabilities for future policy benefits for traditional products have been provided on a net level premium method based on estimated investment yields, withdrawals, mortality, and other assumptions that were appropriate at the time the policies were issued. Upon acquisition, the fair value of future policy benefits was determined using a Defined Valuation Net Premium (DVMP) method. Key assumptions used in calculating the fair value of future policy benefits include the net to gross premium ratio, discount rates and Provisions for Adverse Deviation (PADs) including mortality and inflation. Estimates are based on historical experience adjusted for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience. When it is determined that future expected experience differs significantly from existing assumptions, the estimates are revised for current and future issues.

Included within future policy benefits are amounts related to certain contracts or blocks of business that have negative VOBA. Negative VOBA is amortized over the duration of the respective contracts, being 30 years using the straight-line method. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions consistent with the policies described below for future policy benefits and interest sensitive contract liabilities. VOBA is the difference between the fair value of the liabilities and the reserves. Any negative VOBA is recorded within the associated reserves.

(ab) Policyholders' account balances

Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed per derivative accounting guidance.

(ac) Policy and contract claims

Policy and contract claims are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported claims ("IBNR") liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process.

(ad) Other policyholder funds

Other policyholder funds consist of liabilities related to dividends payable on participating business. For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends, less net income allocated to stockholders, as well as a pro rata portion of unrealized investment gains (losses), net of tax.

(ae) Structured entities

The company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the company, and its reinsurance treaty accounts. The company controls these entities, and as a result, these entities are consolidated within the company's financial statements. The company assesses the variable returns determination for the structured entities on an ongoing basis.

Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the company's investment in the consolidated structured entities is determined in accordance with the company's accounting policies for the underlying securities held within the structured entities.

(af) Funds withheld liabilities

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where BAC acts as a cedant. While the assets in the funds withheld liabilities are legally owned by BAC, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. BAC's funds withheld liabilities balance includes cash and cash equivalents, fixed income securities and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

(ag) Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements ("Modco arrangements").

Assets and liabilities assumed under Modco arrangements are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Statements of Operations. Assumed premiums are included in premiums on the Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco arrangements and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

(ah) Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Statements of Operations.

(ai) Participating insurance policies

For the majority of participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses).

For all other participating business, the allocation of dividends to participating policy owners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

(aj) Premium, benefits, claims incurred, and expenses

Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contract holders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid, and earned policy service fees. Amounts included in benefits are claims in excess of account balances returned to policyholders and interest credited to account balances.

Property and casualty premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection, which is generally evenly over the contract period. Claims incurred consist of claims and CAE paid and the change in reserves.

Gross premiums for PRT and reinsurance issued are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, future policy benefits are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the company and reinsurer. Premium refunds, if any, are recognized on an accrual basis. Gross benefits and benefits ceded are recorded in the Statements of Operations when they are due and incurred.

(ak) Pension and postretirement benefit plans

Pension and postretirement benefit obligations and costs for our frozen benefit plans are estimated using assumptions including demographic factors such as retirement age and mortality.

The company uses a discount rate to determine the present value of future benefits on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. For this purpose, a hypothetical bond portfolio to match the expected monthly benefit payments under the pension plan was constructed with the resulting yield of the portfolio used as a discount rate.

In developing the investment return assumption, we relied on a model that utilizes the following factors:

- Current yield to maturity of fixed income securities
- Forecasts of inflation, GDP growth, and total return for each asset class
- Historical plan performance
- Target asset allocation
- Standard deviations and correlations related to historical and expected future returns of each asset class and inflation

The resulting assumption is the assumed rate of return for the plans' target asset allocation, net of investment expenses, and reflects anticipated returns of the plans' current and future assets.

Using this approach, the calculated return will fluctuate from year to year; however, it is the company's policy to hold this long-term assumption relatively constant.

(al) Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments and derivatives represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on investments and derivatives measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

Investment upfront fees are considered to be loan origination fees and are capitalized as part of the carrying value of the loans and receivables as received and amortized over the life of the loans.

(am) Net investment results from funds withheld

Net investment results from funds withheld include investment income on funds withheld investments and changes in the fair value of derivatives embedded in reinsurance contracts, as discussed in Note 2(l). Changes in the fair value of the embedded derivative are included in the net investment results from funds withheld in the Statements of Operations.

(an) Leases

IFRS 16 Leases ("IFRS 16") specifies how to recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the company will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The ROU asset is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized. The ROU asset is included in property and equipment in the Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the company's estimate of the amount expected to be payable. The lease liability is included in other liabilities in the Statements of Financial Position.

(ao) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the financial statements. Deferred income tax liabilities are recognized for taxable temporary differences, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority within a single taxable entity, or the company intends to settle its current tax assets and liabilities on a net basis in the case where there exists different taxable entities in the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

(ap) Provisions

Provisions are recognized when the company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense is recognized in the Statements of Operations, net of any reimbursement.

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

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

(aq) Foreign currencies

The USD is the functional and presentation currency of the company.

Foreign currency denominated monetary assets and liabilities of the company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the year. Gains or losses on translation of these items are included in net income. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

For purposes of presenting the financial statements, assets and liabilities of the company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the year. Gains or losses on translation of these items are included in other comprehensive income.

(ar) Segments

In accordance with IFRS 8 Operating Segments, the company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the company’s chief operating decision maker (“CODM”) for making decisions, allocation of resources and assessing performance. The company’s CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the company. Our operations were reorganized into three reportable segments during the second quarter of 2022: Reinsurance, PRT and Direct Insurance (see Note 24).

(as) Earnings per share

The holders of the class C shares are entitled to receive distributions if, and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the company's distributable earnings (as determined by management of the company) after payment of distributions on the class A exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs, and other similar adjustments. Total outstanding class C shares have been used to calculate basic earnings per share. Class A exchangeable shares and class B shares are not considered participating securities nor considered to be ordinary shares, and consequently per share amounts for these classes of shares have not been presented.

Basic earnings per share attributable to class C shareholders are calculated by dividing the company's net income for the year, less distributions payable to class A exchangeable and class B shareholders, by the weighted average number of class C shares outstanding during the year.

Basic and diluted earnings per share for the year ended December 31, 2020 of $18.92, were calculated by dividing the net income attributable to Brookfield for the year by the weighted average number of the common shares from Brookfield Annuity Holdings Inc., which was a wholly owned subsidiary of Brookfield (2020 – 85 million). The earnings per share amount for December 31, 2020 is not comparable to the earnings per share amount for the years ended December 31, 2021 and December 31, 2022 as a result of the Spin-off and the issuance of Class A exchangeable shares, class B shares and class C shares on June 28, 2021. Further details of the Spin-off are described in Note 1(b).

(at) Interest rate benchmark reform

Various interest rate benchmarks including London Interbank Offered Rate ("LIBOR") are the subject of international regulatory guidance and proposals for reform. Regulators in various jurisdictions have advocated for the transition from Interbank Offered Rates ("IBORs") to alternative reference rates, based on risk-free rates determined using actual market transactions. As a result, many LIBOR values, including 1-week and 2-month US LIBOR, were discontinued on December 31, 2021. The remaining US LIBOR values will be discontinued on June 30, 2023.

Similarly, on May 16, 2022, it was announced that the publication and calculation of all tenors of Canadian Dollar Offered Rate ("CDOR") will be permanently ceased after June 28, 2024. Concurrently, OSFI published their expectation that Federally Regulated Financial Institutions transition all derivatives and securities to alternative reference rates by June 30, 2023, with no new CDOR exposures after that date, with limited exceptions.

As at December 31, 2022, the company had $641 million non-derivative financial assets benchmarked to US LIBOR (2021 – $425 million) with a maturity date beyond June 30, 2023 for US LIBOR. In addition, with respect to the company's derivative instruments, the notional amounts of $5 million were benchmarked to US LIBOR (2021 – $6 million) and $14 million benchmarked to CDOR (2021 – $84 million) with a maturity date beyond June 30, 2023 for US LIBOR and June 28, 2024 for CDOR.

As at December 31, 2022, the company has completed the transition to the Secured Overnight Financing Rate ("SOFR") for the debt benchmarked to LIBOR.

(au) Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of future policy benefits, policy and contract claims, reinsurance assets, the fair value of financial assets determined using valuation techniques, the impairment of financial instruments and purchase price accounting. Actual results may differ from our estimates thereby impacting the financial statements. Outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

Management judgment is also used in applying the accounting policies used to prepare the financial statements. The items most susceptible to changes in estimate and judgements are the measurement of embedded derivatives (Note 5), reinsurance assets (Note 13 and 14), future policy benefits (Note 13) and policy and contract claims (Note 14), and impairment of available-for-sale securities and loans and receivables (Note 4) and goodwill (Note 11).

(av) Recently adopted accounting standards

Amendments to IFRS 3 - Business Combinations ("IFRS 3")

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), or IFRIC 21, Levies (“IFRIC 21”), if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments apply to annual reporting periods beginning on or after January 1, 2022.

The adoption did not have a significant impact on the company’s financial reporting.

NOTE 3. ACQUISITION OF BUSINESS

On May 25, 2022, American National was acquired by a wholly-owned subsidiary of the company. American National offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Under the terms of the Merger Agreement, the company acquired 100% of all American National issued and outstanding shares in exchange for $190 per share, which is equivalent to $5.1 billion. The consideration was all cash. The company acquired all assets and assumed all liabilities of American National as of the closing date, and consolidates the business for financial statement purposes.

The following summarizes the consideration transferred, fair value of assets acquired and liabilities assumed at the acquisition date:

(in US$ millions)

Total consideration transferred for the acquisition	$	5,107
Assets acquired		
Cash and cash equivalents		1,021
Investments		22,519
Accrued investment income		101
Reinsurance recoverables		45
Premiums due and other receivables		437
Deferred tax assets		369
Property and equipment		175
Prepaid pension		149
Equity accounted investment		1,402
Deferred acquisition costs and value of business acquired		571
Reinsurance assets		410
Investment properties		541
Other assets		198
Separate account assets		1,123
Total assets acquired		**29,061**
Liabilities assumed		
Future policy benefits		5,333
Policyholders' account balances		13,880
Policy and contract claims		1,706
Unearned premium reserve		1,073
Other policyholder funds		324
Notes payable		158
Other liabilities		449
Separate account liabilities		1,123
Total liabilities assumed		**24,046**
Less: Non-controlling interest		(10)
Net assets acquired		**5,005**
Goodwill	**$**	**102**

Accounting for the acquisition is not finalized, and there remains some measurement uncertainty on the valuation and December 31, 2022 balances, pending completion of a comprehensive evaluation of the net assets acquired. The financial statements as at December 31, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price will occur by the end of the first quarter for 2023. As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $102 million as at December 31, 2022, may be adjusted in future periods. Goodwill of approximately $102 million was recognized as a result of the acquisition. Goodwill recognized is not deductible for income tax purposes. Acquisition costs of $13 million were expensed at the acquisition date and recorded as Operating expenses on the Statements of Operations.

The acquired business contributed revenues of $2.3 billion and net profit of $277 million to the company for the period from May 25 to December 31, 2022.

If the acquisition had occurred on January 1, 2022, consolidated pro forma revenue and profit for the year ended December 31, 2022 would have been $3.9 billion and $454 million, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting standards and policies between the company and American National, and
- the revised depreciation and amortization that would have been charged assuming the fair value adjustments to investments, property and equipment and intangible assets had applied from January 1, 2022, together with the consequential tax effects.

NOTE 4. FINANCIAL INSTRUMENTS

a) Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT DEC. 31 US$ MILLIONS	2022			
	FVTPL[1]	**AFS**	**Amortized Cost**	**Total**
Cash and cash equivalents				
Cash	$ —	$ —	$ 506	**$ 506**
Cash equivalents	—	—	1,639	**1,639**
Total cash and cash equivalents[2]	**—**	**—**	**2,145**	**2,145**
Derivatives				
Foreign exchange forwards	6	—	—	**6**
Cross currency swaps	1	—	—	**1**
Interest rate swaps	1	—	—	**1**
Options	36	—	—	**36**
Total derivative assets	**44**	**—**	**—**	**44**
Debt securities				
Bonds				
Government and municipal	387	3,293	—	**3,680**
Corporate	1,974	11,492	—	**13,466**
Asset-backed securities	389	1,213	**—**	**1,602**
Private debt	—	256	—	**256**
Total debt securities	**2,750**	**16,254**	**—**	**19,004**
Equity				
Common shares	—	1,207	—	**1,207**
Preferred shares	11	62	—	**73**
Private equity and other	—	129	—	**129**
Total equity	**11**	**1,398**	**—**	**1,409**
Loans and receivables				
Mortgage loans	—	—	5,930	**5,930**
Private loans	—	—	1,172	**1,172**
Other loans	—	—	427	**427**
Total loans and receivables	**—**	**—**	**7,529**	**7,529**

Short term investments				
Time deposit	—	—	1	**1**
Total short term investments	**—**	**—**	**1**	**1**
Separately managed accounts	—	128	—	**128**
Other invested assets	—	14	13	**27**
Total investments	**2,761**	**17,794**	**7,543**	**28,098**
Separate account assets	—	1,045	—	**1,045**
Reinsurance funds withheld	5,610	**—**	—	**5,610**
Derivative liabilities				
Foreign exchange forwards	(13)	—	—	**(13)**
Bond futures	(25)	—	—	**(25)**
Total derivative liabilities	**(38)**	**—**	**—**	**(38)**
Funds withheld liabilities	(10)	**—**	**—**	**(10)**
Separate account liabilities	—	(1,045)	—	**(1,045)**
Notes payable	—	—	(151)	**(151)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

2. Cash and cash equivalents as at December 31, 2022 includes $182 million of collateral that is pledged to the benefit of the company from its derivative counterparties with a corresponding liability to return the collateral in liabilities for derivative financial instruments.

AS AT DEC. 31 US$ MILLIONS	2021 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 320	**$ 320**
Cash equivalents	—	—	73	**73**
Total cash and cash equivalents	**—**	**—**	**393**	**393**
Derivatives				
Foreign exchange forwards	10	—	—	**10**
Bond futures	9	—	—	**9**
Options	127	—	—	**127**
Total derivative assets	**146**	**—**	**—**	**146**
Debt securities				
Bonds				
Government and municipal	377	1,287	—	**1,664**
Corporate	1,471	260	—	**1,731**
Asset-backed securities	115	53	—	**168**
Private debt	—	137	—	**137**
Total debt securities	**1,963**	**1,737**	**—**	**3,700**
Equity				
Common shares	—	306	—	**306**
Preferred shares	4	15	—	**19**
Private equity and other	**—**	162	—	**162**
Total equity	**4**	**483**	**—**	**487**
Loans and receivables				
Mortgage loans	—	—	188	**188**
Private loans	—	—	568	**568**
Total loans and receivables	**—**	**—**	**756**	**756**
Total investments	**1,967**	**2,220**	**756**	**4,943**
Reinsurance funds withheld	4,650	—	—	**4,650**
Derivative liabilities				
Interest rate swaps	(1)	—	—	**(1)**
Total derivative liabilities	**(1)**	**—**	**—**	**(1)**
Funds withheld liabilities	(12)	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

As at December 31, 2022, the fair value of loans and receivables was $7.2 billion. (2021 - $756 million)

The carrying value of investments and separate account assets, excluding equity, cash and cash equivalents and short term investments, are shown by contractual maturity of investments.

AS AT DEC.31, 2022 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Bonds	$ 2,939	$ 1,528	$ 3,154	$ 9,525	**$ 17,146**
Asset-backed securities	3	170	325	1,104	**1,602**
Private debt	—	—	117	139	**256**
Loans and receivables	1,059	2,246	2,029	2,195	**7,529**
Separately managed accounts	10	80	36	2	**128**
Other invested assets	—	2	3	22	**27**
Separate account assets	17	46	42	940	**1,045**
Total	$ 4,028	$ 4,072	$ 5,706	$ 13,927	**$ 27,733**

AS AT DEC.31, 2021 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Bonds	$ 1,209	$ 22	$ 66	$ 2,098	$ 3,395
Asset-backed securities	14	30	50	74	168
Private Debt	—	137	—	—	137
Loans and receivables	170	183	127	276	756
Total	$ 1,393	$ 372	$ 243	$ 2,448	$ 4,456

AFS investments and investments measured at amortized cost are individually evaluated for impairment. For the year ended December 31, 2022, the company did not incur any impairment expense (December 31, 2021 – $Nil).

The company had collateral pledged of $45 million as at December 31, 2022 (December 31, 2021 – $23 million) for the benefit of the company's counterparties primarily to its derivative instrument contracts, Federal Home Loan Bank agreements, reinsurance agreements, financing and worker's compensation.

b) Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13 Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy, excluding financial assets and financial liabilities that are carried at amortized cost.

	2022			
AS AT DEC. 31 US$ MILLIONS	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Fair value through profit or loss:				
Bonds	$ —	$ 2,361	$ —	**$ 2,361**
Asset-backed securities	—	389	—	**389**
Preferred shares	11	—	—	**11**
Derivative assets	—	43	1	**44**
Reinsurance funds withheld	—	5,610	—	**5,610**
Available for sale:				
Bonds	1,107	12,066	1,612	**14,785**
Asset-backed securities	—	294	919	**1,213**
Private debt	—	—	256	**256**
Common shares	981	58	168	**1,207**
Preferred shares	23	—	39	**62**
Private equity and other	13	—	116	**129**
Other invested assets	—	14	—	**14**
Separate account assets	318	700	27	**1,045**
Separately managed accounts	—	—	128	**128**
Total financial assets	**2,453**	**21,535**	**3,266**	**27,254**
Financial liabilities				
Fair value through profit or loss:				
Derivative liabilities	(26)	(12)	—	**(38)**
Funds withheld liabilities	—	(10)	—	**(10)**
Available for sale:				
Separate account liabilities	(318)	(700)	(27)	**(1,045)**
Total financial liabilities	**$ (344)**	**$ (722)**	**$ (27)**	**$ (1,093)**

AS AT DEC. 31 US$ MILLIONS	2021 Level 1	 Level 2	 Level 3	 Total
Financial assets				
Fair value through profit or loss:				
Bonds	$ —	$ 1,848	$ —	**$ 1,848**
Asset-backed securities	—	115	—	**115**
Common shares	243	—	—	**243**
Preferred shares	4	—	—	**4**
Derivative assets	9	137	—	**146**
Reinsurance funds withheld	—	4,650	—	**4,650**
Available for sale:				
Bonds	1,165	382	—	**1,547**
Asset-backed securities	—	53	—	**53**
Private debt	—	—	137	**137**
Common shares	1	62	—	**63**
Preferred shares	3	2	10	**15**
Private equity and other	—	—	162	**162**
Total financial assets	**1,425**	**7,249**	**309**	**8,983**
Financial liabilities				
Fair value through profit or loss:				
Derivative liabilities	—	(1)	—	**(1)**
Funds withheld liabilities	—	(12)	—	**(12)**
Total financial liabilities	**$ —**	**$ (13)**	**$ —**	**$ (13)**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Financial Instruments	Valuation Techniques and Key Inputs
Bonds and other equities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs. The company evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on the asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.
Asset-backed securities	Valuation model is based on quoted prices of similar traded securities in active markets. The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon and weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt-service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads.
Derivative assets/Derivative liabilities	Foreign currency forward contracts—discounted cash flow model—forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Interest rate contracts - discounted cash flow model - forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate. Warrants – intrinsic value based on the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
Reinsurance funds withheld	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Separate account assets and liabilities	The separate account assets included in the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and fixed maturity bonds available-for-sale. Short-term investments and fixed maturity securities are classified as Level 2 measurements. The classifications for separate assets reflect the fair value methodologies of the underlying asset and liability fair value methodologies listed above.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

The company performs initial and ongoing analysis and review of the valuation techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the valuation assumptions are reasonable. The company analyzes and reviews the data, assumptions and valuation model to ensure that the fair value represents a reasonable estimate as at reporting period end and to monitor controls around fair value measurement, which includes quantitative and qualitative analysis and is overseen by the company's investment and accounting personnel.

Fair values determined using valuation models requiring the use of unobservable inputs (Level 3 financial assets and liabilities) include assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those unobservable inputs, the company uses observable external market inputs such as interest rate yield curves, currency rates and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement of Level 3 financial instruments:

Type of Asset	**Valuation Techniques**	**Significant Unobservable Inputs**	**Significant unobservable inputs and relationship of unobservable inputs to fair value**
Equity-index Option	Heston and Black-Scholes Valuation models	• Interest rate (risk-free rate assumptions) • Underlying equity quoted index prices	• Increases (decreases) in interest rate assumptions decrease (increase) fair value • Increases (decreases) in underlying equity index prices increase (decrease) fair value
Bonds and asset-backed securities	Bonds • Discounted cash flows (yield analysis) • Income approach	Bonds • Contractual cash flows • Duration • Call provisions	Bonds • Increases (decreases) in contractual cash flows increase (decrease) fair value • Increases (decreases) in duration increase (decrease) fair value
	Asset-backed securities • Broker quotes • Income approach	Asset-backed securities • Contractual cash flows • Weighted-average coupon and maturity • Collateral type • Loss severity • Geography	Asset-backed securities • Increases (decreases) in contractual cash flows increase (decrease) fair value • Increases (decreases) in interest rate assumptions decrease (increase) fair value
Private debt	• Income approach	• Weighted-average life • Risk premium	• Increases (decreases) in weighted-average life increase (decrease) fair value • Increases (decreases) in interest rate assumptions decrease (increase) fair value
Common shares, preferred shares and private equity	• Broker quotes • Income approach	• Security structure	

Separately managed accounts	Common Stock and Warrants • Guideline public company method uses price multiples from data on comparable public companies. • Option pricing method • Current Value Method ("CVM")	Common Stock and Warrants • Next Calendar Year Multiple • Next Calendar Year +1 Earnings before interest, tax, depreciation and amortization ("EBITDA") Multiple •Last Twelve Months Revenue Multiple valuation metric shows revenue for the past 12 month period. • Last Twelve Months EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12 month period. • Term • Volatility • Discount for lack of marketability ("DLOM")	• Increases (decreases) in Next Calendar Year Multiple increase (decrease) fair value • Increases (decreases) in Next Calendar Year EBITDA Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months Revenue Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months EBITDA Multiple increase (decrease) fair value • Increases (decreases) in term increase (decrease) fair value • Increases (decreases) in volatility increase (decrease) fair value • Increases (decreases) in DLOM decrease (increase) fair value • Increases (decreases) in discount rate decrease (increase) fair value
	Preferred Stock • Guideline public company method uses price multiples from data on comparable public companies. • CVM	Preferred Stock • Next Calendar Year Revenue Multiple • Next Calendar Year +1 EBITDA Multiple • Last Twelve Months Revenue Multiple valuation metric shows revenue for the past 12 month period. • Last Twelve Months EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12 month period.	• Increases (decreases) in Next Calendar Year Revenue Multiple increase (decrease) fair value • Increases (decreases) in Next Calendar Year EBITDA Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months Revenue Multiple increase (decrease) fair value • Increases (decreases) in Last Twelve Months EBITDA Multiple valuation increase (decrease) fair value

	Fixed Income • Discounted cash flows (yield analysis) • market transactions approach • CVM • Cost	Fixed Income • Discount rate • Next Calendar Year EBITDA	• Increases (decreases) in discount rate decrease (increase) fair value • Increases (decreases) in Next Calendar Year EBITDA increase (decrease) fair value
Separate account assets and liabilities	Equity method	• Proportionate share of net income of the underlying investment fund • Proportionate share of other comprehensive income of the underlying investment fund • Proportionate share of distribution received from the underlying investment fund	• Increases (decreases) in proportionate share of net income of the underlying investment fund increase (decrease) fair value • Increases (decreases) in proportionate share of other comprehensive income of the underlying investment fund increase (decrease) fair value • Increases (decreases) in proportionate share of distribution received from the underlying investment fund decrease (increase) fair value

The following table presents the changes in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2022 and 2021:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**		2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Balance, beginning of year	**$ 309**	**$ —**	$ —	$ —
Fair value changes in net income	**(14)**	**3**	—	—
Fair value changes in other comprehensive income	**(33)**	**—**	—	—
Additions	**3,095**	**32**	309	—
Disposals	**(91)**	**(8)**	—	—
Balance, end of year	**$ 3,266**	**$ 27**	$ 309	**$ —**

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2022 and December 31, 2021.

c) **Net investment income**

Net investment income is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Interest income			
Cash and cash equivalents	**$ 34**	$ 1	$ —
FVTPL investments	**106**	51	28
AFS investments	**326**	12	2
Loans and receivables	**237**	5	—
Total interest income	**703**	69	30
Dividend income			
FVTPL investments	**5**	**—**	—
AFS investments	**7**	—	—
Total dividend income	**12**	—	—
Realized gains on investments and derivatives			
FVTPL investments	**(86)**	3	3
Derivatives	**211**	(45)	—
AFS investments	**6**	2	—
Foreign exchange gain/loss	**26**	9	—
Total realized gains on investments and derivatives	**157**	(31)	3
Unrealized gains (losses) on investments and derivatives			
FVTPL investments	**(302)**	(60)	46
AFS investments	**(22)**	**—**	$ —
Derivatives	**(298)**	27	6
Total unrealized gains (losses) on investments and derivatives	**(622)**	(33)	52
Other investment income (expenses)	**86**	(4)	(1)
Net investment income	**$ 336**	$ 1	$ 84

d) Net investment results from funds withheld

Net investment results from funds withheld is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021	2020
Interest income			
FVTPL investments	**$ 199**	$ 29	$ —
Total interest income attributable to funds withheld	**199**	29	—
Realized losses on investments and derivatives			
FVTPL investments	**(73)**	(2)	—
Foreign exchange losses	**(3)**	(4)	—
Total realized losses on investments and derivatives attributable to funds withheld	**(76)**	(6)	—
Unrealized losses on investments and derivatives			
FVTPL investments	**171**	(19)	—
Foreign exchange losses	**(14)**	(1)	—
Total unrealized losses on investments and derivatives attributable to funds withheld	**157**	(20)	—
Other investment income	**1**	75	—
Net investment results from funds withheld	**$ 281**	$ 78	**$ —**

e) Derivative financial instruments

The company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, options, cross currency swaps, interest rate swaps and warrants. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments.

Foreign exchange forwards, options, cross currency swaps, interest rate swaps and warrants are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default.

The following table presents the fair values of derivative assets and liabilities categorized by type of hedge for accounting purposes and derivative investments:

AS AT DEC. 31 US$ MILLIONS	**2022**			2021		
	Total notional amount	**Fair value**		Total notional amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
Derivative investments	**$ 11,478**	**$ 44**	**$ (32)**	$ 7,469	$ 146	$ (1)
Fair value hedges	**140**	**—**	**(6)**	—	—	—
Total derivatives[1]	**$ 11,618**	**$ 44**	**$ (38)**	$ 7,469	$ 146	$ (1)

Notional principal by terms of maturity and the fair value of derivatives are presented in the table below.

AS AT DEC. 31, 2022 US$ MILLIONS	**Fair value asset**	**Fair value liabilities**	**Collateral pledged**	**Notional amount**				
				Within 1 year	**1-3 years**	**4-5 years**	**Over 5 years**	**Notional principal**
Exchange traded								
Bond futures	$ —	$ (25)	$ 78	$ 1,504	$ —	$ —	$ —	$ 1,504
Over-the-counter								
Foreign exchange forwards	7	(13)	3	2,564	66	—	—	2,630
Cross currency swaps	1	—	—	9	—	—	8	17
Interest rate swaps	1	—	—	—	—	—	15	15
Options[1]	35	—	101	7,001	451	—	—	7,452
Total	**$ 44**	**$ (38)**	**$ 182**	**$11,078**	**$ 517**	**$ —**	**$ 23**	**$ 11,618**

[1]Includes equity-index options, recorded within Other invested assets in Note 4(a) and Note 4(b) tables.

AS AT DEC. 31, 2021 US$ MILLIONS	**Fair value asset**	**Fair value liabilities**	**Collateral pledged**	**Notional amount**				
				Within 1 year	**1-3 years**	**4-5 years**	**Over 5 years**	**Notional principal**
Exchange traded								
Bond futures	$ 9	$ —	$ 22	$ 730	$ —	$ —	$ —	$ 730
Over-the-counter								
Foreign exchange forwards	10	—	1	787	59	—	—	846
Warrants	—	—	—	1	—	—	—	1
Cross currency swaps	—	—	—	—	10		8	18
Interest rate swaps	—	(1)	—	—	—	1	71	72
Options	127	—	—	5,802	—	—	—	5,802
Total	**$ 146**	**$ (1)**	**$ 23**	**$ 7,320**	**$ 69**	**$ 1**	**$ 79**	**$ 7,469**

The company monitors the fair values of bond futures and forwards on a daily basis, with additional cash collateral obtained or refunded as necessary.

Bond futures and most foreign exchange forwards, cross currency swaps and options mature in less than 1 year. Interest rate swaps mature in over 5 years and settle on a semi-annual or annual basis. Derivatives are measured at FVTPL and are reported on the Statements of Financial Position as derivative assets or derivative liabilities. The fair value of exchange-traded futures contracts is determined based on Level 1 inputs. OTC foreign currency forwards, options, currency swaps and interest rate swaps are valued on the contract notional amounts, which is the difference between contract and market rates. These inputs are derived from observable market data and as such are classified as Level 2 instruments.

For OTC derivatives, collateral is collected from and pledged to derivative counterparties according to the Credit Support Annexes, which form part of the International Swaps and Derivatives Associations' master agreements, when the exposure exceeds a specified threshold. For exchange-traded derivatives, their positions are margined on a daily basis (both initial margin and variation margin) subject to derivative clearing agreements with the exchanges and clearing houses. As at December 31, 2022, the company has pledged $182 million of financial assets as collateral under the terms of the derivative contracts (2021 – $23 million).

For an analysis of the company’s risks arising from financial instruments and the policies and procedures to manage these risks refer to Note 22 Risk Management.

f) Summary of investments

AS AT DEC. 31 US$ MILLIONS	2022 Carrying Amount	2022 Percent	2021 Carrying Amount	2021 Percent
Corporate debt securities				
Corporate bonds	**$ 13,466**	**46 %**	$ 1,731	34 %
Asset-backed securities	**1,602**	**5 %**	168	3 %
Private debt	**256**	**1 %**	137	3 %
	15,324	**53 %**	2,036	40 %
Government bonds				
United States government	**3,292**	**11 %**	1,271	25 %
Canada government	**79**	**— %**	61	1 %
Canada provincials	**309**	**1 %**	332	7 %
	3,680	**13 %**	1,664	33 %
Loans and receivables				
Private loans	**1,172**	**4 %**	568	11 %
Mortgage loans	**5,930**	**20 %**	188	4 %
Other loans	**427**	**2 %**	—	— %
	7,529	**26 %**	756	15 %
Separately managed accounts	**128**	**— %**	—	— %
Other invested assets	**27**	**— %**	—	— %
Separate account assets	**1,045**	**4 %**	—	— %
Derivatives				
Foreign exchange forwards	**(7)**	**— %**	10	— %
Cross currency swaps	**1**	**— %**	—	— %
Interest rate swaps	**1**	**— %**	(1)	— %
Bonds futures	**(25)**	**— %**	9	— %
Options	**36**	**1 %**	127	2 %
	6	**1 %**	145	2 %
Equity				
Common shares	**1,207**	**4 %**	306	6 %
Preferred shares	**73**	**— %**	19	— %
Private equity and other	**129**	**— %**	162	3 %
	1,409	**4 %**	487	10 %
Total	**$ 29,149**	**100 %**	$ 5,088	100 %

NOTE 5. REINSURANCE FUNDS WITHHELD

AS AT DEC. 31 US$ MILLIONS		2022		2021
Reinsurance funds withheld	**$**	**5,603**	$	4,819
Embedded derivatives		**151**		(19)
Reinsurance funds withheld payable		**(144)**		(150)
Net reinsurance funds withheld	**$**	**5,610**	$	4,650

The company has embedded derivatives on the reinsurance funds withheld, which are required to be separated from the host contracts and reported on a fair value basis. The value of the embedded derivative at December 31, 2022, was $151 million (2021 - $19 million).

Embedded derivatives from Modco arrangements are fair valued using a total return swap. During the year, the company changed fair value methodologies, as described in Note 2(m). In the old methodology of valuing the embedded derivative, the company was subject to the investment performance of the withheld assets with the total investment return impacting the host contract and embedded derivative value. Under the new Market Calibration Approach methodology, the fixed loan interest rate over the notional loan term is calibrated such that loan cash flows, discounted at the forward swap rates, equals the market value or starting reserve at calibration date.

NOTE 6. PROPERTY AND EQUIPMENT

The company's property and equipment consist of the following:

US$ MILLIONS		Computers and office equipment		Furniture and fixtures		Leasehold improvements		ROU asset		Total
Cost										
As at December 31, 2021	$	1	**$**	—	$	—	$	1	$	2
Acquisitions through business combinations		73		2		100		—		175
Additions		25		—		15		1		41
Disposals		(9)		—		(8)		—		(17)
As at December 31, 2022	**$**	**90**	**$**	**2**	**$**	**107**	**$**	**2**	**$**	**201**
Accumulated depreciation										
As at December 31, 2021	$	—	$	—	$	—	$	—	$	—
Depreciation		(2)		—		(3)		—		(5)
Disposals		(2)		—		—		—		(2)
As at December 31, 2022	**$**	**(4)**	**$**	**—**	**$**	**(3)**	**$**	**—**	**$**	**(7)**
Carrying amount										
December 31, 2021	$	1	$	—	$	—	$	1	$	2
December 31, 2022	**$**	**86**	**$**	**2**	**$**	**104**	**$**	**2**	**$**	**194**

For the year ended December 31, 2022, the company did not incur an impairment expense (2021 – $Nil).

NOTE 7. EQUITY ACCOUNTED INVESTMENTS

The company's equity accounted investments relate to its investment in associates and investments in real estate joint ventures and other limited partnership interests.

The following table presents the change in the company's equity accounted investment in AEL Holdings:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	$ 344	$ —
Additions	254	294
Share of net income	98	8
Share of other comprehensive (loss) income	—	44
Distributions received	—	(2)
Derecognition of equity accounted investments upon loss of significant influence	(696)	—
Balance, end of year	$ —	$ 344

As at December 31, 2021, the company's ownership interest in AEL Holdings represented an equity accounted investment as a result of the company's common equity ownership in AEL Holdings, a material reinsurance transaction with American Equity Investment Life Insurance Company ("AEILIC"), a wholly-owned subsidiary of AEL Holdings, and the membership of Brookfield Reinsurance's CEO on AEL Holdings board of directors. On November 8, 2022, Brookfield Reinsurance appointed board member resigned from AEL's board of directors resulting in the loss of significant influence and therefore the discontinuation of the Brookfield Reinsurance's common share holding of AEL Holdings as an associate and it became a financial asset on November 8, 2022. The company recognized a $607 million gain on the discontinuation of equity method accounting on its investment in AEL Holdings during the year.

The company's equity in earnings of real estate partnerships is the company's share of operating earnings and realized gains from investments in real estate joint ventures and other limited partnership interests using the equity method of accounting.

The following table presents the change in the company's joint ventures and other limited partnership interests during the year:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	$ —	$ —
Acquisition from business combination	1,402	—
Additions	443	—
Share of net income	124	—
Distributions received	(233)	—
Foreign currency translation and other	(63)	—
Balance, end of year	$ 1,673	$ —

The company recognizes its share of income and OCI from its weighted average ownership interest in the equity accounted investments one quarter in arrears or less, depending on the most up to date information available to the company.

NOTE 8. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The following table presents movement in deferred acquisition costs and VOBA, as well as the impact on expenses:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	$ 776	$ —
Acquisition from business combination	571	—
Costs capitalized	720	775
Amortization and other	(335)	1
Balance, end of year	**$ 1,732**	$ 776

VOBA recognized in connection with the acquisition of American National represents the difference between the fair value of liabilities acquired and reserves established using a weighted-average cost of capital discount rate and other relevant assumptions as at the acquisition date. The acquisition resulted in VOBA of $571 million within direct business written. VOBA is amortized based on the estimated premium earning patterns. Amortization expense of VOBA was $125 million since the acquisition date.

NOTE 9. INVESTMENT PROPERTIES

The company’s investment properties are as follows:

AS AT DEC. 31 US$ MILLIONS	2022	2021
Cost	$ 576	$ —
Accumulated depreciation	(14)	—
Net carrying amount	**$ 562**	$ —

As at December 31, 2022, the fair value of investment properties is $562 million.

The following table presents the changes in the company's investment properties:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	$ —	$ —
Acquisition from business combination	541	—
Additions from expenditure capitalization	37	—
Disposals	(4)	—
Depreciation	(14)	—
Foreign currency translation and other	2	—
Balance, end of year	**$ 562**	$ —

The following table presents the rental income and direct operating expenses of the investment properties:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021	2020
Rental income from investment properties	$ 60	$ —	$ —
Direct operating expenses of rental investment properties	(36)	—	—
Direct operating expenses of non-rental investment properties	(8)	—	—
Total	**$ 16**	$ —	$ —

NOTE 10. OTHER ASSETS

The company's other assets consist of the following:

AS AT DEC. 31 US$ MILLIONS	2022	2021
Accounts receivable	$ 15	$ —
Prepaid reinsurance premium	47	—
Taxes recoverable	34	—
Due from related party	2	10
Intangible assets	52	3
Reinsurance receivable	26	12
Other	86	4
Total other assets	**$ 262**	$ 29

The company's intangible assets consist of computer software, distributor relationships, trade name, and insurance licenses. For the year ended December 31, 2022, the company did not incur an impairment expense (2021 – $Nil).

NOTE 11. GOODWILL

Goodwill is the excess of cost over the estimated fair value of net assets acquired. As at December 31, 2022, the company had $102 million in goodwill which was related to the Direct Insurance segment. There is no accumulated impairment balance associated with goodwill. The company performs a goodwill impairment analysis annually as of December 31, and more frequently if facts and circumstances indicate that goodwill may be impaired.

The reconciliation of the carrying value of goodwill is in the following table:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	$ —	$ —
Acquisition from business combination	102	—
Impairment	—	—
Balance, end of year	$ 102	$ —

NOTE 12. SEPARATE ACCOUNT ASSETS AND LIABILITIES

The following table presents the details of investments in the company's separate account assets and liabilities:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Cash and cash equivalents	$ 4	$ —
Bonds	115	—
Equity securities	894	—
Investment funds	27	—
Other assets	5	—
Total	**$ 1,045**	$ —

The following table presents the change of the company's separate account assets and liabilities:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Balance, beginning of year	$ —	$ —
Additions (deductions)		
Acquisition from business combination	1,123	—
Policyholder deposits	44	—
Net investment income	32	—
Net realized capital gains on investments	(72)	—
Policyholder benefits and withdrawals	(66)	—
Net transfer to or from separate account	(10)	—
Policy charges	(6)	—
Total changes	1,045	—
Balance, end of year	**$ 1,045**	$ —

NOTE 13. FUTURE POLICY BENEFITS AND POLICYHOLDERS' ACCOUNT BALANCES

The company's future policy benefits and policyholders' account balances are as follows:

a. Future Policy Benefits

(i) Key methodologies and assumptions

Direct Insurance

American National estimates future policy benefits for amounts payable under insurance and annuity policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of expected benefit payments reduced by the present value of expected premiums. Such future policy benefits are established on a block of business based on methods and underlying assumptions and applicable actuarial standards. Principal assumptions used in the establishment of future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability termination, investment return, inflation, expenses, and other contingent events as appropriate to the respective product type.

Future policy benefits for non-participating traditional life insurance are equal to the aggregate of the present value of expected benefit payments and related expenses less the present value of expected net premiums. Assumptions as to mortality and persistency are based upon American National's experience when the basis of the liability is established. Interest rates for the aggregate future policy benefits range from 3.0% to 8.0%.

Future policy benefits for participating traditional life insurance are equal to the aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 2.5% to 5.5%) and mortality rates guaranteed in calculating the cash surrender values described in such contracts; and (ii) the liability for terminal dividends.

Future policy benefits for individual fixed deferred annuities after annuitization and single premium immediate annuities are equal to the present value of expected future payments. The interest rate used in establishing such liabilities range from 3.0% to 6.0% for all policies in-force.

Future policy benefits for non-medical health insurance are calculated using the net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. The interest rate used in establishing such liabilities range from 3.5% to 8.0%.

Future policy benefits for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest. The interest rates used in establishing such liabilities range from 3.0% to 6.0%.

Liabilities for universal life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. American National regularly evaluates estimates used and adjusts the additional liability balances with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical Standard & Poor's experience. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

American National periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the company's Statements of Operations in the period in which the changes occur.

<u>Reinsurance</u>

NER SPC's future policy benefits represent Fixed Indexed Annuity ("FIA") contracts that provide contract owners the possibility of earning returns linked to the performance of a specified market index, predominantly the S&P 500 Index, while providing principal protection. The contracts include a provision for a minimum guaranteed surrender value in accordance with applicable law. The products allow policyholders to allocate funds periodically among several different crediting strategies, including index-based strategies and a traditional fixed rate strategy. High surrender charges apply for early withdrawal.

The policyholder account value of the FIA is equal to the sum of deposit paid, premium bonus, and index credits based in the relevant market index (subject to cap, spread and/or participation rate which can typically be reset) less any fees for riders and any withdrawals taken to-date.

NER SPC's future policy benefits are based on actuarial assumptions related to the underlying policies' terms, lives of the policies, duration of the contract, yield on investments supporting the liabilities, level of expenses. Significant assumptions also include policyholder behavior assumptions, such as surrender, lapse, withdrawal rates. NER SPC uses a combination of actual and industry experience when setting and updating policyholder behavior assumptions. Assumptions are at best estimate with margins for adverse deviation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

NER Ltd.'s insurance reserves represent multi-year guaranteed annuity contracts that provide owners a guaranteed rate of return. Premiums and credited interest are protected from market volatility, which provides long-term financial security and predictability for policyholders.

NER Ltd.'s future policy benefits have no actuarial assumptions as the reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

<u>PRT</u>

The future policy benefits represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not reached pensionable age. The company's insurance contracts are a mixture of group annuity "buy-in" policies, where the policyholder is the pension fund, and group annuity "buy-out" policies, where the policyholder is the administrator. The company provides group annuity policies across Canada.

The future policy benefits represent the present value of the future annuity payments and expenses measured in accordance with the CALM described in Note 2 Summary of significant accounting policies, section (aa) Future Policy Benefits. It incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation, and inflation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

The principal valuation assumptions and the methods for arriving at these valuation assumptions are outlined below.

Longevity

Mortality assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors including, but not limited to, gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data comprises of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

Mortality improvement assumptions follow the prescribed mortality improvement scales issued by the CIA.

Investment returns

Projected cash flows from the current assets and liabilities are used in CALM to determine insurance reserves. Assumptions are made regarding rates of returns on supporting assets. Projected cash flows from assets used in the actuarial calculations are reduced to provide for potential asset default losses. The calculation for future credit losses on assets is based on the credit quality underlying the asset portfolio.

Other assumptions

The internal costs of maintaining the insurance reserves, the fees paid to third-party administrators engaged to manage payments under the in-force policies, and fees due to reinsurers and investment management expenses, as well as inflation are factored into the calculation of the insurance reserves where applicable.

(ii) Net change in future policy benefits

The following tables summarize the movements of future policy benefits, policy and contract claims, and policyholders' account balances for the years ended December 31, 2022 and December 31, 2021 by its major components:

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Life	Annuities	Health	Gross reserves	Reinsurance assets	Net
Beginning of year	$ —	$ 8,497	$ —	**$ 8,497**	$ 169	**$ 8,328**
Changes during the year						
Acquisition from business combination	3,533	1,754	46	**5,333**	90	**5,243**
New business	10	1,906	—	**1,916**	—	**1,916**
Normal changes	38	(784)	1	**(745)**	(48)	**(697)**
Management actions and changes in assumptions	—	974	—	**974**	—	**974**
	3,581	3,850	47	**7,478**	42	**7,436**
Impact of foreign exchange[1]	—	(204)	—	**(204)**	(9)	**(195)**
Balance at end of year	**$ 3,581**	**$ 12,143**	**$ 47**	**$ 15,771**	**$ 202**	**$ 15,569**

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Life	Annuities	Health	Gross reserves	Reinsurance assets	Net
Beginning of year	$ —	$ 1,339	$ —	**$ 1,339**	$ 190	**$ 1,149**
Changes during the year						
New business	—	7,180	—	**7,180**	—	**7,180**
Normal changes	—	(310)	—	**(310)**	(20)	**(290)**
Management actions and changes in assumptions	—	282	—	**282**	(2)	**284**
	—	7,152	—	**7,152**	(22)	**7,174**
Impact of foreign exchange[1]	—	6	—	**6**	1	**5**
Balance at end of year	**$ —**	**$ 8,497**	**$ —**	**$ 8,497**	**$ 169**	**$ 8,328**

1. Foreign currency translation reported as a separate component of other comprehensive income.

Under fair value accounting required by our Canadian PRT business, movement in the fair value of the supporting assets is a primary driver of the movement of future policy benefits. In a duration matched portfolio, changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the future policy benefits associated with the change in the value of the supporting assets is included within normal changes above. The future policy benefits from reinsurance activities is not sensitive to the fair value of the supporting assets under US GAAP reserve methodology.

The increases in future policy benefits in 2022 were mainly due to the new business of $2 billion, offset by the negative impact of normal changes of $697 million, which was primarily driven by the market value changes from increases in interest rates. Management actions and changes in assumptions increased future policy benefits by $974 million, resulting in net increases in future policy benefits, before the negative impact of foreign exchange of $195 million.

The acquisition of American National resulted in negative VOBA of $781 million related to the life and annuity business, and has been recognized in the company's future policy benefits (life and annuities). Negative VOBA is amortized over 30 years using the straight-line method. Amortized negative VOBA revenue of $13 million was recorded since the acquisition date during 2022.

b. Policyholders' account balances

Policyholders' account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The following table summarizes the movement of policyholders' account balances:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Beginning of year	$ —	$ —
Changes during the year		
Acquisition from business combination	13,880	—
Policyholders' account deposits	1,407	—
Interest credited to policyholders' account balances	156	—
Policyholders' account withdrawals	(921)	—
Charges to policyholders' account balances	(212)	—
Balance at end of year	**$ 14,310**	**$ —**

NOTE 14. POLICY AND CONTRACT CLAIMS

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the Statements of Financial Position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the Statements of Operations in the year in which the changes occur. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

a. Key methodologies and assumptions

Property and Casualty Reserving Methodology—The following methods are utilized:

- Initial Expected Loss Ratio—This method calculates an estimate of ultimate losses by applying an estimated loss ratio to actual earned premium for each calendar/accident year. This method is appropriate for classes of business where the actual paid or reported loss experience is not yet mature enough to influence initial expectations of the ultimate loss ratios.

- Pegged Frequency and Severity—This method uses actual claims count data and emergence patterns of older accident periods to project the ultimate number of reported claims for a given accident year. A similar process projects the ultimate average severity per claim so that the product of the two projections results in a projection of ultimate loss for a given accident year.

- Bornhuetter-Ferguson—This method uses, as a starting point, either an assumed Initial Expected Loss Ratio Method or Pegged Frequency and Severity method and blends in the loss ratio or frequency and severity implied by the claims experience to date by using loss development patterns based on our historical experience. This method is generally appropriate where there are few reported claims and an unstable pattern of reported losses.

- Loss or Expense Development (Chain Ladder)—This method uses actual loss or defense and cost containment expense data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. This method is appropriate when there is a relatively stable pattern of loss and expense emergence and a relatively large number of reported claims.

- Ratio of Paid Defense and Cost Containment Expense to Paid Loss Development—This method uses the ratio of paid defense and cost containment expense to paid loss data and the historical development profiles on older accident periods to project more recent, less developed periods to their ultimate total. In this method, an ultimate ratio of paid defense and cost containment expense to paid loss is selected for each accident period. The selected paid defense and cost containment expense to paid loss ratio is then applied to the selected ultimate loss for each accident period to estimate the ultimate defense and cost containment expense. Paid defense and cost containment expense is then subtracted from the ultimate defense and cost containment expense to calculate the unpaid defense and cost containment expense for that accident period.

- Calendar Year Paid Adjusting and Other Expense to Paid Loss—This method uses a selected prior calendar years' paid expense to paid loss ratio to project ultimate loss adjustment expenses for adjusting and other expense. A percentage of the selected ratio is applied to the case reserves (depending on the line of insurance) and 100% to the indicated IBNR reserves. These ratios assume that a percentage of the expense is incurred when a claim is opened and the remaining percentage is paid throughout the claim's life.

For most credit property and casualty products, IBNR liability is calculated as a percentage of pro rata unearned premium, with the specific percentage for a given product line informed by a traditional completion factor claim reserve analysis.

The expected development on reported claims is the sum of a pay-to-current reserve and a future reserve. The pay-to-current reserve is calculated for each open claim having a monthly indemnity and contains the amount required to pay the open claim from the last payment date to the current valuation date. The future reserve is calculated by assigning to each open claim a fixed reserve amount based on the historical average severity. For debt cancellation products and involuntary unemployment insurance, this reserve is calculated using published valuation tables.

Cumulative claim frequency information is calculated on a per claim basis. Claims that do not result in a liability are not considered in the determination of unpaid liabilities.

For any given line of business, none of these methods are relied on exclusively. With minor exceptions, multiple methods may be used for a line of business as a check for reasonableness of our reselected reserve value.

b. Changes in policy and contract claims

The following table summarizes the movement of policy and contract claims:

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Gross reserves	Reinsurance assets	Net
Beginning of year	$ —	$ —	**$ —**
Changes during the year			
Acquisition from business combination	1,706	320	**1,386**
New business	242	40	**202**
Normal changes	(162)	8	**(170)**
Management actions and changes in assumptions	—	—	**—**
	1,786	368	**1,418**
Impact of foreign exchange	—	—	**—**
Balance at end of year	**$ 1,786**	**$ 368**	**$ 1,418**

For December 31, 2022, the policy and contract claims increased by $1.4 billion primarily driven by the additions from the acquisition of American National. There was no policy and contract claims in 2021.

c. **Claims and claim adjustment expenses**

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustments in the consolidated statement of financial position is as follows:

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
2013	$ 503	489	481	474	467	465	463	338	461	460
2014		485	462	456	448	450	447	348	445	445
2015			481	475	469	469	464	368	464	463
2016				531	518	513	509	385	504	502
2017					579	578	570	420	564	562
2018						698	683	514	648	581
2019							713	557	691	618
2020								465	671	616
2021									1,116	1,061
2022										1,225
									Total	**$ 6,533**

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31,									
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
2013	$ 217	319	375	412	431	440	449	451	454	453
2014		192	300	350	387	413	426	432	435	436
2015			187	301	359	402	431	442	447	451
2016				216	333	394	438	458	474	482
2017					232	392	456	490	512	528
2018						285	467	529	565	530
2019							290	469	531	523
2020								305	468	488
2021									623	823
2022										681
									Total	**$ 5,395**
					All outstanding liabilities before 2013, net of reinsurance					32
					Liabilities for claims and claim adjustment expenses, net of reinsurance					**$ 1,170**

The reconciliation of the net incurred and paid claims development table to the policy and contract claims in the Statements of Financial Position is as follows:

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	$ 1,170	$ —
Reinsurance recoverable on unpaid claims	346	—
Insurance lines other than short-duration	199	—
Unallocated claim adjustment expenses	71	—
Total policy and contract claims	**$ 1,786**	$ —

NOTE 15. REINSURANCE CEDED

Any gains or losses on reinsurance transactions are recognized in income on inception of the transactions and are included in change in insurance contract liabilities ceded in the Statements of Operations.

In December 2020, PRT segment entered into two longevity reinsurance transactions which resulted in after-tax losses on inception of approximately $1 million. In December 2021, our PRT segment entered into another longevity reinsurance transaction which resulted in an after-tax loss on inception of approximately $1 million. There was no new reinsurance agreement entered in 2022.

As at December 31, 2022, our PRT segment's total expected fixed payments and actual costs of benefit expenses to be reimbursed under longevity reinsurance transactions used in valuing reinsurance assets were $914 million and $899 million (2021 - $1.1 billion and $1.1 billion) respectively. The difference between fixed payments and actual costs on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Statements of Operations.

Our Direct Insurance segment reinsures portions of certain life insurance policies to provide a greater diversification of risk and manage exposure on larger risks.

For the property and casualty, our Direct Insurance segment retains the first $2 million of loss per risk. Reinsurance covers up to $6 million of property and liability losses per risk. Additional excess property per risk coverage is purchased to cover risks up to $20 million, and excess casualty clash coverage is purchased to cover losses up to $60 million. Corporate catastrophe coverage is in place for losses up to $470 million ($500 million if the top layer of the Property Catastrophe Top and Drop contract is included). The Direct Insurance segment retains the first $35 million of each catastrophe.

The first contract is the Property Catastrophe Top and Drop cover that consists of $30 million of annual limit available either wholly or in part across two layers of coverage. The second aggregate contract provides for $30 million of coverage after $160 million of annual aggregated catastrophe losses has been reached.

The Direct Insurance segment remains primarily liable with respect to any reinsurance ceded and would bear the entire loss if the reinsurer does not meet their obligations under any reinsurance treaties.

As at December 31, 2022, reinsurance payable was $5 million, representing the amounts payable from third-party cedants. None of the amount outstanding at December 31, 2022 is the subject of litigation or is in dispute with the reinsurers involved. Management believes the unfavorable resolution of any dispute that may arise would not have a material impact on the financial statements.

NOTE 16. CORPORATE AND SUBSIDIARY BORROWINGS

The company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $500 million. The credit facilities bear interest at the specified SOFR, CDOR, or bankers' acceptance rate plus a spread and have a maturity date of June 2027. As at December 31, 2022, $356 million was drawn on the bilateral credit facilities.

The company has a $1.0 billion 364-day revolving credit facility for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at December 31, 2022, the facility had $804 million outstanding.

In April 2022, the company entered into a $1.0 billion 364-day secured facility. As at December 31, 2022, the facility was fully drawn.

The facilities require the company to maintain a minimum net worth covenant. As at December 31, 2022, the company was in compliance with its financial covenants.

The company also has a revolving credit facility with Brookfield that, as at December 31, 2022, permitted borrowings of up to $400 million. As at December 31, 2022, there were no amounts drawn on the facility.

Subsidiary borrowings of $1.5 billion relate to debt issued at American National. $1.0 billion matures in 2027 and the remaining $500 million matures in 2032.

NOTE 17. OTHER LIABILITIES

The company's other liabilities consist of the following:

AS AT DEC. 31 US$ MILLIONS	**2022**	2021
Accounts payable and accrued liabilities	**$ 61**	$ 57
Liability for retirement benefits	**67**	—
Escrow fund on mortgage loans	**138**	—
Accrued commissions and other expenses	**185**	—
Other	**280**	7
Total other liabilities	**$ 731**	$ 64

NOTE 18. OPERATING EXPENSES

Operating expenses include the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Salaries and benefits expense	**$ 190**	$ 10	$ 3
Professional services	**77**	18	2
Rent	**24**	—	—
Technology	**42**	2	1
Sales and capital taxes	**48**	1	—
Depreciation of property and equipment	**13**	—	—
Other	**39**	4	—
Total operating expenses	**$ 433**	$ 35	$ 6

NOTE 19. INCOME TAXES

Income taxes are recognized for the amount of taxes payable by the company's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The company's income tax expense is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Current tax:			
Current tax on profits for the year	**$ 36**	$ —	$ 1
Adjustments in respect of prior years	**(15)**	—	—
Total current tax expense	**21**	—	1
Deferred tax:			
Origination and reversal of temporary differences	**33**	2	—
Adjustments in respect of prior years	**14**	—	—
Total deferred tax expense	**47**	2	—
Total income tax expense	**$ 68**	$ 2	$ 1

The below reconciliation has been prepared using a statutory income tax rate of 16.4% (2021 – 6.4% and 2020 – 26.5%). The statutory income tax rate is calculated using domestic tax rates applicable to the jurisdictions in which the company's corporate subsidiaries operate in the given year.

The company's income tax expense is reconciled as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Net (loss) income before income tax	**$ 560**	$ (42)	$ 2
Income tax at statutory tax rate	**92**	(3)	1
Tax effect of:			
International operations subject to different tax rates	**(20)**	5	—
Other	**(4)**	—	—
Total income tax expense	**$ 68**	$ 2	$ 1

The company's effective tax rate is different from the company's statutory income tax rate due to the following differences set out below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Statutory income tax rate	**16.4%**	6.4%	26.5%
Increase (reduction) in rate resulting from:			
International operations subject to different tax rates	**(3.6)%**	(11.1)%	15.9 %
Other	**(0.7)%**	— %	(13.0)%
Effective income tax rate	**12.1 %**	(4.7)%	29.4 %

The gross movement on the deferred tax asset is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021
Deferred tax asset, beginning of year	**$ 20**	$ —
Recognized in net income (loss)	**(47)**	(2)
Business combination	**369**	2
Recognized in equity	**188**	—
Foreign exchange and other	**1**	20
Deferred tax assets, end of year	**$ 531**	$ 20

Deferred tax asset recognized relates to the following temporary differences:

AS AT DEC. 31 US$ MILLIONS	**2022**	2021
Non-capital loss carryforwards	**$ 7**	$ 18
Investments	**404**	—
Future policy benefits	**107**	—
Participating policyholder liabilities	**55**	—
Deferred acquisition costs	**(41)**	—
Tax credit carryforwards	**4**	2
Other	**(5)**	—
Deferred tax asset	**$ 531**	$ 20

The company evaluates the deferred tax asset based on, amongst other factors, historical operating results, expectation of future profitability, and the duration of the applicable statutory carryforward periods for tax attributes. Based on the evaluation of the deferred tax asset as of December 31, 2022, the company determined that the deferred tax asset would be realized within the applicable statutory carryforward period.

Income tax recovery recognized in other comprehensive income consist of the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Fair value through OCI securities	**$ (186)**	$ —	$ —
Revaluation of pension obligation	**(2)**	—	—
Total income tax recovery in other comprehensive income	**$ (188)**	$ —	$ —

NOTE 20. SHARE CAPITAL

As at December 31, 2022 and 2021, the company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $33.70 per share;

ii. 500,000,000 Exchangeable Class A-1 Limited Non-Voting Shares with a par value of $33.70 per share;

iii. 500,000 Class B Limited Voting Shares with a par value of $33.70 per share;

iv. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;

v. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;

vi. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;

vii. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;

viii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the company as at December 31, 2022 and December 31, 2021 comprises the following:

	December 31, 2022		December 31, 2021	
	Number of shares	Value	Number of shares	Value
Issued				
Class A exchangeable shares	**9,594,989**	**$ 422**	10,877,989	$ 535
Class B shares	**24,000**	**1**	24,000	1
Class C shares	**40,934,623**	**1,467**	23,544,548	963
Class A junior preferred shares[1]	**100,460,280**	**$ 2,512**	—	$ —

1. The company's class A junior preferred shares are classified as liabilities on the Statements of Financial Position.

The movement of shares issued and outstanding is as follows:

AS AT AND FOR THE YEAR ENDED DEC.31, 2022	Class A exchangeable shares	Class B shares	Class C shares	Class A junior preferred shares
Outstanding, beginning of year	10,877,989	24,000	23,544,548	—
Issued (Repurchased)				
Issuances	—	—	17,390,075	100,460,280
Repurchases	(1,283,000)	—	—	—
Outstanding, end of year	**9,594,989**	**24,000**	**40,934,623**	**100,460,280**

AS AT AND FOR THE YEAR ENDED DEC.31, 2021	Class A exchangeable shares	Class B shares	Class C shares	Class A junior preferred shares
Outstanding, beginning of year	—	—	—	—
Issued (Repurchased)				
Issuances	10,877,989	24,000	23,544,548	—
Repurchases	—	—	—	—
Outstanding, end of year	**10,877,989**	**24,000**	**23,544,548**	**—**

On May 25, 2022, the company issued 11,270,466 class C shares for $450 million and 98,351,547 class A junior preferred shares for $2.5 billion to Brookfield.

On November 4, 2022, Brookfield converted its holdings of 675,000 Brookfield Reinsurance class A exchangeable shares for $27 million into 1,066,471 class C shares.

On December 1, 2022, Brookfield converted its holdings of 608,000 Brookfield Reinsurance class A exchangeable shares for $24 million into 5,053,138 class C shares.

On December 9, 2022, Brookfield Reinsurance issued 2,108,733 class A junior preferred shares for $53 million to Brookfield.

NOTE 21. EARNINGS PER SHARE

The components of basic earnings per share are summarized in the following table:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	2022	2021
Net income (loss) for the year	**$ 492**	$ (44)
Attributable to:		
Brookfield Corporation	**—**	5
Class A exchangeable and Class B shareholders	**6**	3
Class C shareholders	**484**	(52)
Non-controlling interests	**2**	—
Weighted average shares – Class C shares	**30,919,577**	19,903,823
Earnings per share per class C share - basic	**$ 15.68**	$ (2.58)

NOTE 22. RISK MANAGEMENT

The management of risk is central to the success of the business. The company seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in business processes.

The Board has overall responsibility for the management of risk and is supported through formal committees of the Board.

The company manages risk by applying the principles and guidelines outlined in the enterprise risk management framework presented to the Brookfield Reinsurance Board (the "ERM Framework"). The ERM Framework establishes the overall risk management framework that includes the following:

- Risk inventory – identifies and defines the risks arising from the company's business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;
- Risk appetite – determines the nature and amount of risk the company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;
- Risk governance – establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the company; and
- Risk management process – codifies a consistent approach to the identification, assessment, measurement, control, monitoring and reporting of risks faced by the company.

As part of the risk governance framework, the company operates a three lines of defense model. Under this model, the accountabilities of each line of defense are:

- First line – business management: day to day responsibility for managing and identifying risks, ensuring activities are within risk appetite and established policies, and designing and implementing effective internal controls;
- Second line – risk management function: establish enterprise governance, risk and control strategies and policies; provide oversight and independent effective challenge to the first line, as well as training, tools and advice; and

- Third line – internal audit: independently verify the adequacy and effectiveness of the first and second lines of defense, and that the enterprise risk management framework is operating effectively.

An Own Risk and Solvency Assessment ("ORSA") is undertaken by BAC, NER SPC and American National at least annually. The primary purpose of the ORSA exercise is to allow the entities to incorporate an analysis of the internal capital needs into the risk management frameworks. The ORSA involves a comprehensive assessment of the company's risks, capital needs and solvency position, as well as solvency forecasting across a range of scenarios including plausible stresses that could jeopardize the entities' business plans. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term. The ORSA provides a perspective of the capital resources necessary to achieve the entities' business strategies and remain solvent given their risk profile, as well as insight into the risk management and governance procedures surrounding these processes. BAC also evaluates its exposure to sustained adverse scenarios through other stress testing techniques such as the Financial Condition Testing ("FCT").

A Commercial Insurers' Solvency Self-Assessment ("CISSA") is undertaken by NER Ltd. at least annually. The primary purpose of the CISSA exercise is to allow NER Ltd. to incorporate an analysis of the internal capital needs into the risk management frameworks. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term, including factoring in the impact of catastrophic shocks. The CISSA framework provides a perspective of the capital resources necessary to achieve NER Ltd.'s business strategies and remain solvent given their risk profile, as well as insight into the risk management and governance procedures surrounding these processes.

The company has established recurring routines for monitoring and reporting on risks. Risks are monitored on an ongoing basis and risk management reports are provided to management on a monthly basis and to the Board on a quarterly basis. The reports include risk exposures measured against Board-approved risk appetite tolerances, and where relevant, management actions are identified to ensure risk mitigation and controls are effective. Segments and functional groups are responsible for identifying and assessing key and emerging risks on an ongoing basis.

The principal risk factors that affect the company's operations and financial condition include financial risks such as market risk, credit risk and liquidity risk, insurance risk and other risks such as regulatory risk and operational risk.

The following sections describe the primary financial risks and associated risk management strategies in place that affect the company's operations and financial condition.

a. Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, or credit spreads.

The company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and by holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures.

Financial instruments held by the company that are subject to market risk include financial assets, borrowings and derivative instruments.

(i) Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature.

The company is exposed to interest rate risk within the investment portfolio it maintains to meet the obligations and commitments under its insurance contracts, in that the proceeds from the assets may not be sufficient to meet the company's obligations to policyholders. In addition, the company's borrowing consist of fixed-rate and floating-rate debt.

The company manages interest rate risk through an asset liability management ("ALM") framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance contract liabilities. Within the context of the ALM framework, the company may use derivatives including interest rate swaps and bond futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

The Investment Policy outlines the duration constraints that have been approved by the Board. In operationalizing these constraints, considerably more confining duration-based targets have been established that are closely monitored and reported to management in monthly business updates and to the Board on a quarterly basis.

The Investment Policy is reviewed at least annually and approved by the Board.

The following table shows the sensitivity to changes in interest rates:

	2022		2021	
AS AT DEC. 31 US$ MILLIONS	**50 bps increase**	**50 bps decrease**	50 bps increase	50 bps decrease
Impact on profit and loss	**$ 121**	**$ (127)**	$ (143)	$ 222
Impact on equity	**91**	**(95)**	(148)	227

(ii) Foreign exchange risk

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than USD.

The company's obligations under its insurance contracts are denominated in USD or Canadian dollars ("CAD") but a portion of the assets supporting these liabilities are denominated in non-USD.

The company manages foreign exchange risk using foreign exchange forwards and currency swaps. The Investment Policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

The company holds financial instruments with net unmatched exposures in non-USD currencies, with changes in the translated value recorded in net income. As at December 31, 2022, a 1% fluctuation in USD against non-USD currencies would have an impact of approximately $20 million on net income and $20 million on equity (December 31, 2021 - $1 million on net income and $1 million on equity).

(iii) Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

At December 31, 2022, the company held approximately $1.4 billion of equity investments, approximately 4% of total investment assets, which are subject to equity risk. The company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The company mitigates the equity risk by diversification of the investment portfolio.

The company also has equity risk associated with the equity-indexed life and annuity products the company issues. The company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

b. Credit risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance.

The company is primarily exposed to credit risk through its investments in debt securities and loans and receivables. The company is also exposed to risks created by changes in market prices and cash flows associated with fluctuations in the credit spread or the market's perception of the relative risk and reward to hold fixed maturity securities of borrowers with different credit characteristics or credit ratings. The company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy.

The company is subject to credit risk associated with the reinsurance agreements. The reinsurance results in liability to pay the policyholders, and the company remains primarily liable to the policyholders for the risks . The company regularly monitors the financial strength of the reinsurers and the levels of concentration to individual reinsurers to verify they meet established thresholds.

The company's use of derivative instruments exposes it to credit risk in the event of non-performance by the counterparties. The company has a policy of only dealing with counterparties that are creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The company holds collateral in cash and notes secured by U.S. government backed assets. The non-performance risk from derivative instruments is the net counterparty exposure based on the fair value of the open contracts, less the fair value of collateral held.

The carrying amount of assets included in the Statements of Financial Position represents the maximum credit exposure. No impairment provision has been made.

(i) Asset quality

The following table summarizes the external credit ratings for investments and reinsurance funds withheld:

AS AT DEC.31, 2022 US$ MILLIONS	**AAA**	**AA**	**A**	**BBB**	**BB and below**	**Unrated**	**Total**
Bonds	$ 1,094	$ 2,014	$ 6,517	$ 6,057	$ 1,464	$ —	$ 17,146
Asset-backed securities	218	205	629	414	133	3	1,602
Private debt	—	—	133	—	—	123	256
Preferred shares	—	—	2	30	3	38	73
Private loans	—	—	4	18	411	739	1,172
Mortgage loans	—	—	1,583	2,370	1,827	150	5,930
Reinsurance funds withheld	925	278	1,136	2,427	144	700	5,610
Total exposure to credit risk	**$ 2,237**	**$ 2,497**	**$ 10,004**	**$ 11,316**	**$ 3,982**	**$ 1,753**	**$ 31,789**

AS AT DEC.31, 2021 US$ MILLIONS	AAA	AA	A	BBB	BB and below	Unrated	Total
Bonds	$ 500	$ 48	$ 1,450	$ 1,209	$ 188	$ —	$ 3,395
Asset-backed securities	12	7	51	61	37	—	168
Private debt	—	—	—	—	—	137	137
Preferred shares	—	—	7	—	2	10	19
Private loans	—	—	60	55	188	265	568
Mortgage loans	—	—	—	—	—	188	188
Reinsurance funds withheld	819	228	891	2,484	135	93	4,650
Total exposure to credit risk	**$ 1,331**	**$ 283**	**$ 2,459**	**$ 3,809**	**$ 550**	**$ 693**	**$ 9,125**

The company's overall target credit quality for the portfolio is a credit rating of BBB+ (2021 - BBB+). As at December 31, 2022 and 2021, the company met this requirement.

(ii) Concentration

Concentrations of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics, such as groups of issuers in the same economic or geographic regions or in similar industries.

The carrying value of debt securities and loans and receivables by geographic location is shown in the following table. The geographic location is based on the country of the creditor's parent.

AS AT DEC. 31 US$ MILLIONS	**2022**		2021	
United States	$ 21,721	83 %	$ 2,826	64 %
Canada	1,836	7 %	1,352	30 %
Other	2,602	10 %	278	6 %
Total	**$ 26,159**	**100 %**	$ 4,456	100 %

The carrying value of debt securities and loans and receivables by sector and industry is shown in the following table:

AS AT DEC. 31 US$ MILLIONS	**2022**		2021	
Financials	$ 5,096	19 %	$ 649	15 %
Utilities	1,333	5 %	196	4 %
Industrials	1,158	4 %	199	4 %
Energy	1,714	7 %	752	17 %
Real estate	6,589	25 %	391	9 %
Consumer	1,824	7 %	187	4 %
Information technology	975	4 %	310	7 %
Others	7,470	29 %	1,772	40 %
Total	**$ 26,159**	**100 %**	$ 4,456	100 %

(iii) Derivative counterparties

Credit risk also arises in respect of derivative contracts to the extent that there is the potential for the counterparties to default on their obligations. To manage this risk, derivative transactions are limited to an approved list of counterparties and in some cases are fully collateralized with highly rated instruments. The derivative counterparty risk as of December 31, 2022 and 2021 was $44 million and $146 million, respectively. As at December 31, 2022, these counterparties have a credit rating of BBB- or higher (2021 - A or higher).

(iv) Reinsurance counterparties

The company has reinsurance contracts with third-party reinsurers with a total exposure of $570 million at December 31, 2022 (December 31, 2021 – $169 million). To manage counterparty risk, reinsurance transactions are limited to an approved list of reinsurers with concentration limits to any single reinsurer.

Under the reinsurance contracts with third-party unregistered reinsurers, highly rated assets are required to be pledged to the company to fully support the ceded reserves. The company maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, the company has the right to liquidate or take legal possession of these assets, in a timely manner.

As at December 31, 2022, the credit ratings of the reinsurers are BBB+ or higher (December 31, 2021 - A+).

NER Ltd. and NER SPC have reinsurance contracts with third-party cedants with a total exposure of $5.6 billion at December 31, 2022 (December 31, 2021 – $6.3 billion).

As at December 31, 2022, the credit ratings of the third-party cedants are A- or higher (December 31, 2021 - A- or higher).

(v) Impaired Assets

The company reviews all reinsurance assets at each reporting date and determined that there was no evidence of impairment as at December 31, 2022 and 2021.

c. Liquidity risk

Liquidity risk is the risk that the company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

Cash outflows primarily consist of benefit payments to policyholders and to a lesser extent, operating expenses and settlement of derivative contracts.

The following table sets out the expected maturity profile of the company's financial liabilities:

AS AT DEC.31, 2022 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Future policy benefits	$ 1,078	$ 2,142	$ 1,793	$ 10,758	$ 15,771
Policyholders' account balances	1,288	2,576	1,717	8,729	14,310
Policy and contract claims	162	321	214	1,089	1,786
Unearned premium reserve	99	195	130	662	1,086
Due to related party	294	3	2	10	309
Reinsurance payable	16	36	19	19	90
Derivative liabilities	38	—	—	—	38
Other policyholder funds	29	58	39	196	322
Notes payable	11	62	6	72	151
Corporate borrowings	1,810	—	350	—	2,160
Subsidiary borrowings	—	—	1,000	492	1,492
Deferred revenue	5	8	7	58	78
Liabilities issued to reinsurance entities	—	—	—	151	151
Funds withheld liabilities	10	—	—	—	10
Preferred shares	—	—	—	2,512	2,512
Other liabilities	395	235	47	54	731
Separate account liabilities	95	188	125	637	1,045
Total	**$ 5,330**	**$ 5,824**	**$ 5,449**	**$ 25,439**	**$ 42,042**

AS AT DEC.31, 2021 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Future policy benefits	$ 368	$ 769	$ 792	$ 6,568	$ 8,497
Due to related party	467	—	—	—	467
Reinsurance payable	21	14	15	25	75
Derivatives	1	—	—	—	1
Corporate borrowings	656	37	—	—	693
Deferred revenue	4	7	7	64	82
Liabilities issued to reinsurance entities	—	—	—	167	167
Funds withheld liabilities	12	—	—	—	12
Other liabilities	64	—	—	—	64
Total	**$ 1,593**	**$ 827**	**$ 814**	**$ 6,824**	**$ 10,058**

To manage liquidity risk, the company as part of its ALM framework, purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to closely match those of the annuity policy liabilities. The company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

In addition, the company has a credit agreement with Brookfield as lender, providing for a three-year $400 million revolving credit facility in addition to $500 million third-party revolving credit facilities with external banks. As at December 31, 2022 there were no amounts drawn on the Brookfield Credit Agreement (December 31, 2021 – $Nil), and $356 million drawn on the third-party revolving credit facilities (December 31, 2021 – $37 million).

In addition, a subsidiary of the company has access to a CAD$300 million repurchase agreement (December 31, 2021 - CAD$150 million). As at December 31, 2022, there were no amounts outstanding under the repurchase agreement (December 31, 2021 – $Nil).

d. Insurance risk

PRT

Insurance risk is the risk that actual experience related to benefit payments and expenses does not emerge as expected. The company is primarily exposed to longevity risk.

Longevity risk is the risk that mortality experience occurs at lower rates than that assumed at the time of pricing which exposes the company to benefit payments that will be paid for longer periods than anticipated.

Longevity assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors established at the time of pricing. These factors take into consideration the characteristics of the annuitants including but not limited to gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data is comprised of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

These inputs and analytics support the company's assessment of longevity risk.

To reduce longevity risk within our PRT business, the company enters into longevity reinsurance transactions with third party reinsurers. Under these contracts, the company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to the company. As at December 31, 2022, the company has entered into longevity reinsurance contracts and has reinsured approximately 42% of its longevity risk (December 31, 2021 – 71%).

The following table shows the sensitivity to changes in longevity risk. These sensitivities reflect the impact of any applicable ceded reinsurance arrangements.

	Mortality Rate		Mortality Improvement	
AS AT DEC.31, 2022 US$ MILLIONS	5% Increase	5% Decrease	50% Increase	50% Decrease
Impact on profit and loss	**$ 21**	**$ (22)**	**$ (26)**	**$ 26**
Impact on equity	**21**	**(22)**	**(26)**	**26**

	Mortality Rate		Mortality Improvement	
AS AT DEC.31, 2021 US$ MILLIONS	5% Increase	5% Decrease	50% Increase	50% Decrease
Impact on profit and loss	**$ 10**	**$ (9)**	**$ (12)**	**$ 13**
Impact on equity	**10**	**(9)**	**(12)**	**13**

Reinsurance

NER SPC reinsures fixed indexed annuity products only. Generally, the assumptions that are the most sensitive for fixed indexed annuity products are changes to investment yields, utilization rates, partial withdrawal rates, lapse rates and mortality. However, our reserves are less sensitive to changes in assumption at this point in time considering the mechanics of our reserving process.

At treaty inception, projected base contract cash flows are bifurcated into two parts: a host liability that reserves for contractually guaranteed payments and an embedded derivative that represents the value of payments in excess of guarantees; for the current treaty, the host liability makes up the vast majority of the reserve liability. The host liability after inception is calculated using an effective yield approach based on a host accrual rate that equates the present value of actual and projected future guaranteed benefit payments to the initial host liability. The host accrual rate is revised as experience emerges, actual cash flows replace projected, and best estimate assumptions about the future are updated. Given this financial year end is only six months following treaty inception, the impact of rolling forward at a different accrual rate recalibrated from changing assumptions is minimized by the short period.

Investment yield risk is a shift in market interest rates associated with investment fixed income instruments. T he embedded derivative, measured at fair value, is most sensitive to investment yields as this directly affects its discount rate.

The following table shows the impact on the overall liability to changes in mortality (as described in PRT sensitivity) and changes to investment yields:

	Mortality Rate		Yield	
AS AT DEC.31, 2022 US$ MILLIONS	10% Increase	10% Decrease	50 bps Increase	50 bps Decrease
Impact on profit and loss	$ (1)	$ 2	$ (10)	$ 10
Impact on equity	(1)	2	(10)	10

	Mortality Rate		Yield	
AS AT DEC.31, 2021 US$ MILLIONS	10% Increase	10% Decrease	50 bps Increase	50 bps Decrease
Impact on profit and loss	$ (1)	$ 1	$ (11)	$ 12
Impact on equity	(1)	1	(11)	12

Direct insurance

The insurance products are designed to balance features desired by the marketplace with provisions that mitigate the risk exposures across the insurance products portfolio. The company employ underwriting standards to help ensure proper rates are charged to different classes of risks. In the life insurance and annuity products, the company seeks to mitigate disintermediation risk, the risk of large outflows of cash at times when it is disadvantageous to he company to dispose of invested assets, with surrender charges and market value adjustment features.

The process of linking the timing and the amount of payment obligations related to our insurance and annuity contracts and the cash flows and valuations of the invested assets supporting those obligations is commonly referred to as ALM. The ALM Committee, including many of the company's senior executive officers, regularly monitors the level of risk in the interaction of assets and liabilities and helps shape actions intended to attain the desired risk-return profile. Investment allocations and duration targets are also intended to manage the risk exposure in the annuity products by setting the credited rate within a range supported by our investments. Tools that help shape investment decisions include deterministic and stochastic interest rate scenario analyses using a licensed third-party economic scenario generator and detailed insurance ALM models. These models also use experience related to surrenders and claims.

The company also manages risk by purchasing reinsurance to limit exposure in the Life, Health, and Property and Casualty. In the Life line, the company currently retains 100% of newly developed permanent and term products up to the retention limit and cede the excess exposure to reinsurers that are evaluated for their credit strength. Consistent with the corporate risk management strategy, the company periodically adjusts the Life reinsurance program and retention limits as market conditions warrant. In the Health line, the company uses reinsurance on an excess of loss basis for the Managing General Underwriter ("MGU") stop-loss business. In the Property and Casualty line, the reinsurance program provides coverage for some individual risks with exposures above certain amounts as well as exposure to catastrophes including hurricanes, tornadoes, wind and hail events, earthquakes, fires following earthquakes, winter storms, and wildfires. In all product lines, the company purchases reinsurance from multiple providers and regularly review the financial strength ratings of the reinsurers. Reinsurance does not remove the liability to pay the policyholders, and the company remain liable to the policyholders for the risks the company insures.

In the Property and Casualty line, the use of catastrophic event models is an important element of risk management. These models assist in the measurement and management of exposure concentrations and the amount and structure of reinsurance purchases. In addition to reinsurance, we manage exposure to catastrophic risk by limiting property exposure in areas with heightened brush fire risks and exposures and in coastal areas, implementing hurricane, wind and hail deductible requirements where appropriate, and not renewing coverage, when permitted by applicable law, in regions where we believe exposure to risky events exceeds our risk appetite.

The following table shows the sensitivity to changes in insurance risk. These sensitivities reflect the impact of any applicable ceded reinsurance arrangements.

AS AT DEC.31, 2022 US$ MILLIONS	Mortality Rate 3% Increase	Mortality Rate 3% Decrease	Lapse Rate 5% Increase	Lapse Rate 5% Decrease
Impact on profit and loss	$ (86)	$ 86	$ (45)	$ 45
Impact on equity	(86)	86	(45)	45

e. Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

The company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board.

Disaster recovery and business continuity plans have also been established to manage the company's ability to operate under adverse conditions.

f. Regulatory risk

Regulatory risk stems principally from the risk of changes to the regulatory environment in which the company operates. To manage this risk, the company seeks to a have a regular dialogue with regulators to ensure compliance. Furthermore, senior management participates in industry groups and professional bodies to stay apprised of regulatory changes.

NOTE 23. RELATED PARTY TRANSACTIONS

In the normal course of operations, the company entered into the transactions below with related parties.

a) Brookfield Reinsurance agreements

As described in Note 1(b)(iv), Brookfield provided to the company an equity commitment in the amount of $2.0 billion to fund future growth, which the company may draw on from time to time. As of December 31, 2022, there were no amounts drawn under the equity commitment.

As described in Note 1(b)(v), as of December 31, 2022, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

As described in Note 1(b)(vi), the company entered into the Support Agreement on June 28, 2021. The base fee for the year ended December 31, 2022 was $Nil (December 31, 2021 - $Nil).

As described in Note 1(b)(vii), the company entered into the Rights Agreement on June 28, 2021. The base fee for the year ended December 31, 2022 was $Nil (December 31, 2021 - $Nil).

As described in Note 1(b)(viii), the company entered into the Administration Agreement on June 28, 2021. The base and other fees for the year ended December 31, 2022 was $2 million (December 31, 2021 - $0.4 million). On August 5, 2022, the Administration Agreement was amended to include providing the services of the Chief Financial Officer.

As described in Note 1(b)(ix), the company entered into an Investment Management Agreement with Brookfield Asset Management on June 28, 2021. The base investment management fee for the year ended December 31, 2022 was $40 million (December 31, 2021 - $4 million).

As described in Note 1(b)(x), the company entered into the Brookfield Licensing Agreement on June 28, 2021. The base fee for the year ended December 31, 2022 was $Nil (December 31, 2021 - $Nil).

b) Other related party transactions

On March 10, 2020, BAC entered into lease and building service arrangements with Brookfield Properties (Canada) Inc. and BPO Ontario Properties Ltd. (collectively, "BPO"), subsidiaries of Brookfield. The amount paid to BPO for the leased office facilities and building maintenance for the year ended December 31, 2022 totaled $0.7 million (December 31, 2021 – $0.4 million). As at December 31, 2022, lease liabilities relating to this arrangement were $1 million (December 31, 2021 – $1 million).

BAC entered into outsourcing arrangements with Brookfield related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to Brookfield for these services for the year ended December 31, 2022 totaled $1 million (December 31, 2021 – $0.3 million). Amounts due to Brookfield related to outsourcing arrangements at December 31, 2022 totaled $0.7 million (December 31, 2021 – $0.5 million).

On January 7, 2022, Brookfield International Holdings Inc. ("BIHI"), a subsidiary of Brookfield, issued a $255 million loan to NER SPC. This amount was fully repaid during the year.

On December 23, 2022, Brookfield Reinsurance Investments LP ("BRILP"), a subsidiary of the company, entered into two loan agreements with the subsidiaries of Brookfield in the amount of $100 million and CAD $300 million, respectively.

During the year, NER SPC made a $379 million full repayment and interest of its outstanding loan balance with BIHI.

During the year, Brookfield Treasury Management Inc. ("BTMI") advanced BAM Re Holdings $269 million via promissory notes. BAM Re Holdings made a $50 million partial repayment of its outstanding loan balance with BTMI.

During the year, subsidiaries of the company purchased investments of $3.3 billion from Brookfield and its subsidiaries. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

As at December 31, 2022, the company and its subsidiaries held investments in affiliated companies in total of $4 billion.

The company had $779 million of cash on deposit with wholly-owned subsidiaries of Brookfield as at December 31, 2022 (December 31, 2021 – $64 million).

NOTE 24. SEGMENT REPORTING

Effective as of the second quarter of 2022, the company's operations are organized into three operating segments: Reinsurance, PRT and Direct Insurance. These segments are regularly reviewed by the company’s chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and to assess its performance. Prior to this, operations were attributable to two segments: Reinsurance and PRT. During the second quarter of 2022, the company acquired American National and thus, reporting to the CODM was changed. The periods presented prior to the acquisition of American National reflect the company's operations attributable to two segments.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("Distributable Operating Earnings", or "DOE").

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, net income from our equity accounted investments, mark-to-market on investments and derivatives, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. DOE allows the CODM to evaluate the company’s segments on the basis of return on invested capital generated by its operations and allows the company to evaluate the performance of its segments.

The tables below provide each segment's results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Reinsurance[1]	Pension Risk Transfer[2]	Direct Insurance[3]	**Total**
Net premiums and other policy related revenues	$ 1,246	$ 1,560	$ 1,678	**$ 4,484**
Other net investment income, including funds withheld	230	120	717	**1,067**
Segment revenues	1,476	1,680	2,395	**5,551**
Proportionate share of equity accounted investment adjusted earnings	47	—	—	**47**
Benefits paid on insurance contracts, net	(323)	(156)	(1,156)	**(1,635)**
Changes in insurance reserves, net	(1,152)	(1,488)	(10)	**(2,650)**
Changes in deferred acquisition costs	160	—	125	**285**
Interest credited to other policyholder account balances	—	—	(156)	**(156)**
Other insurance and reinsurance expenses	(125)	—	(413)	**(538)**
Operating expenses excluding transactions costs	(21)	(15)	(329)	**(365)**
Interest expense	(23)	—	(41)	**(64)**
Current income tax (expense) recovery	—	—	(21)	**(21)**
Segment DOE	**39**	**21**	**394**	**454**
Interest expense on junior preferred shares				**(67)**
Depreciation expense				**(13)**
Income tax expenses				**(47)**
Transaction costs				**(31)**
Mark-to-market on investments and derivatives				**208**
Other corporate activities, net				**(63)**
Less: Proportionate share of equity accounted investment adjusted earnings				**(47)**
Add: Income from equity accounted investments				**98**
Net income				**$ 492**

1. Net premiums in our Reinsurance segment are attributed to insurance contracts assumed from other companies.
2. Net premiums in our PRT segment include $2 million of insurance contracts ceded to other counterparties.
3. Net premiums in our Direct Insurance segment include $649 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	**Total**
Net premiums	$ 6,190	$ 1,016	$ —	**$ 7,206**
Other net investment income, including funds withheld	127	(1)	—	**126**
Segment revenues	6,317	1,015	—	**7,332**
Proportionate share of equity accounted investment adjusted earnings	8	—	—	**8**
Benefits paid on insurance contracts, net	(220)	(72)	—	**(292)**
Changes in insurance reserves, net	(6,060)	(920)	—	**(6,980)**
Other reinsurance expenses	(19)	—	—	**(19)**
Operating expenses excluding transactions costs	(6)	(12)	—	**(18)**
Interest expense	(7)	—	—	**(7)**
Segment DOE	**13**	**11**	**—**	**24**
Income tax expenses				**(2)**
Transaction costs				**(8)**
Mark-to-market on investments and derivatives				**(59)**
Other corporate activities, net				**1**
Net income				**$ (44)**

FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	**Total**
Net premiums	$ —	$ 430	$ —	**$ 430**
Other net investment income, including funds withheld	—	$ 84	—	**84**
Segment revenues	—	514	—	**514**
Benefits paid on insurance contracts, net	—	(38)	—	**(38)**
Changes in insurance reserves, net	—	(468)	—	**(468)**
Other corporate expenses	—	(6)	—	**(6)**
Current income tax expense	—	(1)	—	**(1)**
Segment DOE	**—**	**1**	**—**	**1**
Net income				**$ 1**

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers. All existing reinsurance contracts are with U.S. based insurance companies. Total premium revenues recorded within our Reinsurance segment for the year ended December 31, 2022 were from transactions with two United States ceding companies and represented 27% (2021 - 63%) and 1% (2021 - 22%) of total premium revenues,respectively.

Total premium revenues recorded within our PRT segment for the years ended December 31, 2022, 2021 and 2020 were from Canadian counterparties, with the exception of one PRT transaction closed in late 2022 for $2 million dollars with a U.S. corporate sponsor.

Total premium revenues recorded within our Direct Insurance segment for the year ended December 31, 2022 were from transactions with U.S. retail customers.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT DEC.31, 2022 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 9,226	$ 3,392	$ 29,671	$ 1,210	**$ 43,499**
Liabilities	7,602	3,091	26,223	5,126	**42,042**
Equity	$ 1,624	$ 301	$ 3,448	$ (3,916)	**$ 1,457**

AS AT DEC.31, 2021 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 7,921	$ 2,473	$ —	$ 1,099	**$ 11,493**
Liabilities	6,803	2,269	—	986	**10,058**
Equity	$ 1,118	$ 204	$ —	$ 113	**$ 1,435**

AS AT DEC.31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ —	$ 1,440	$ —	$ —	**$ 1,440**
Liabilities	—	1,357	—	—	**1,357**
Equity	$ —	$ 83	$ —	$ —	**$ 83**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

The company's non-current assets by location are as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
United States	**$ 2,020**	$ 1,121	$ —
Canada	**4**	3	2
Bermuda	**2**	1	—
Cayman Islands	**2**	1	—
Total non-current assets	**$ 2,028**	$ 1,126	$ 2

NOTE 25. PENSION AND POSTRETIREMENT BENEFIT

Savings Plans

American National sponsors a qualified defined contribution (401(k) plan) for all employees, and non-qualified defined contribution plans for certain employees whose otherwise eligible earnings exceed the statutory limits under the qualified plans.

The total expense associated with matching contributions to these plans was $11 million for 2022 (2021 - $Nil).

Pension Benefits

American National sponsors qualified and non-qualified defined benefit pension plans, all of which have been frozen. As such, no additional benefits are accrued through these plans for additional years of service credit or future salary increase credit, and no new participants are added to the plans. Benefits earned by eligible employees prior to the plans being frozen have not been affected.

The qualified pension plans are noncontributory. The plans provide benefits for salaried and management employees and corporate clerical employees subject to a collective bargaining agreement based on years of service and employee compensation. The non-qualified pension plans cover key employees and restore benefits that would otherwise be curtailed by statutory limits on qualified plan benefits.

Amount recognized in the Statements of Financial Position consist of:

AS AT DEC. 31 US$ MILLIONS	Qualified		Non-qualified	
	2022	2021	**2022**	2021
Reconciliation of benefit obligation				
Obligation at beginning of year	**$ —**	**$ —**	**$ —**	**$ —**
Acquisition from business combination	**343**	—	**55**	—
Interest cost on projected benefit obligation	**9**	—	**1**	—
Actuarial (gain) loss	**(10)**	—	**1**	—
Benefits paid	**(17)**	—	**(5)**	—
Obligation at end of year	**325**	—	**52**	—
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**—**	—	**—**	—
Acquisition from business combination	**499**	—	**—**	—
Actual return on plan assets	**(8)**	—	**—**	—
Employer contributions	**—**	—	**5**	—
Benefits paid	**(17)**	—	**(5)**	—
Fair value of plan assets at end of year	**474**	—	**—**	—
Funded status at end of year	**$ 149**	$ —	**$ (52)**	**$ —**

The components of net periodic benefit cost for the defined benefit pension plans are shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Interest cost	**$ 10**	$ —	$ —
Expected returns on plan assets	**(13)**	—	—
Net periodic cost (benefit)	**$ (3)**	**$ —**	**$ —**

Amounts related to the defined benefit pension plans recognized as a component of accumulated other comprehensive income are shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Actuarial gain (loss)	**$ (11)**	$ —	$ —
Deferred tax benefit (expense)	**2**	—	—
Other comprehensive income (loss), net of tax	**$ (9)**	**$ —**	**$ —**

The weighted average assumptions used are shown below:

	Used for Net Benefit Cost for year ended December 31, 2022	Used for Net Benefit Cost for year ended December 31, 2021
Discount rate	**5 %**	**— %**
Long-term rate of return	**6 %**	**— %**

American National's funding policy for the qualified pension plans is to make annual contributions to meet the minimum funding standards of the Pension Protection Act of 2006. American National and its affiliates did not contribute to its qualified plans in 2022, 2021 and 2020 due to the substantial contribution over minimum funding standards of $60 million made in 2018. The benefits paid from the non-qualified plans were $5 million in 2022 (2021 - $Nil). Future payments from the non-qualified pension benefit plans will be funded out of general corporate assets.

The following table shows pension benefit payments expected to be paid:

2023	**$**	**46**
2024		**39**
2025		**31**
2026		**30**
2027-2031		**158**

The investment policy for the retirement plan assets is designed to provide the highest return commensurate with sound and prudent underwriting practices. The investment diversification goals are to have investments in cash and cash equivalents as necessary for liquidity, debt securities up to 100% and equity securities up to 75% of the total invested plan assets. The amount invested in any particular investment is limited based on credit quality, and no single investment may at the time of purchase be more than 5% of the total invested assets.

Postretirement Life and Health Benefits

Under American National's various group benefit plans for active employees, life insurance benefits are provided upon retirement for eligible participants who meet certain age and length of service requirements.

The accrued postretirement benefit obligation, included in the liability for retirement benefits, was $7 million at December 31, 2022 (2021 - $Nil). These amounts were approximately equal to the unfunded accumulated postretirement benefit obligation.

NOTE 26. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2022, subsidiaries of the company had investment commitment agreements with third parties to the maximum of approximately $5.4 billion exclusive of taxes and other operating expenses (December 31, 2021 - $463 million). As at December 31, 2022, the total unfunded commitment amounts were $2.8 billion.

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobiles. The remaining long-term lease commitments at December 31, 2022 were approximately $10 million and are included in the company's Statements of Financial Position within other liabilities.

American National had aggregate commitments at December 31, 2022 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $2.0 billion of which $1.3 billion is expected to be funded in 2023, with the remainder funded in 2024 and beyond. American National had outstanding letters of credit in the amount of $4 million as of December 31, 2022.

Federal Home Loan Bank (FHLB) Agreements

The company has access to the FHLB's financial services including advances that provide an attractive funding source for short term borrowing and for access to other funding agreements. As of December 31, 2022, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $14 million and commercial mortgage loans of approximately $1.3 billion were on deposit with the FHLB as collateral for borrowing. As of December 31, 2022, the collateral provided borrowing capacity of approximately $776 million. The deposited securities and commercial mortgage loans are included in the company's Statements of Financial Position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Guarantees

American National has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by American National. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, American National would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of December 31, 2022, was approximately $121 million, while the total cash value of the related life insurance policies was approximately $143 million.

Litigation

American National and certain subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on the company's Statements of Financial Position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on our condensed consolidated financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to American National is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the midpoint of the range.

NOTE 27. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The company takes an integrated approach to risk management that involves the company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the company's risk appetite and Own Risk and Solvency Assessment ("ORSA"). Furthermore, stress techniques that include the Financial Conditions Testing ("FCT") are used to evaluate the company's capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test ("LICAT") as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC and American National are required to follow Risk Based Capital ("RBC") requirements based on guidelines of the National Association of Insurance Commissioners ("NAIC"). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority ("BMA"). The Enhanced Capital Requirement ("ECR") is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The company has determined that it is in compliance with all capital requirements as at December 31, 2022 and December 31, 2021.

NOTE 28. SUPPLEMENTARY INFORMATION

(a) Supplementary Insurance Information

The following table presents supplementary information for our three reportable segments:

Direct Insurance

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Deferred acquisition cost	**$ 699**	$ —	$ —
Future policy benefits	**(21,760)**	—	—
Unearned premiums	**(1,086)**	—	—
Premium revenue	**1,456**	—	—
Net investment income	**514**	—	—
Benefits, claims, losses and settlement expenses	**(1,155)**	—	—
Amortization of deferred acquisition costs	**(296)**	—	—
Other operating expenses	**(353)**	—	—
Premium written	**1,463**	—	—

Reinsurance

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Deferred acquisition costs	**$ 1,033**	$ 776	$ —
Future policy benefits	**(7,405)**	(6,254)	—
Premium revenue	**1,246**	6,146	—
Net investment income	**232**	125	—
Benefits, claims, losses and settlement expenses	**(449)**	(240)	—
Amortization of deferred acquisition costs and other	**(39)**	(1)	—
Other operating expenses	**(21)**	(9)	—

Pension Risk Transfer

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2022	2021	2020
Future policy benefits	**$ (3,024)**	$ (2,243)	$ (1,339)
Premium revenue	**1,558**	1,016	430
Net investment income	**(301)**	(1)	84
Benefits, claims, losses and settlement expenses	**(156)**	(72)	(38)
Other operating expenses	**(16)**	(12)	(6)

(b) Reinsurance Ceded and Assumed

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Life insurance inforce	145,928	22,145	222	124,005	— %
Premiums:					
Life insurance	1,877	51	3	1,829	— %
Accident and heath insurance	98	184	162	76	213 %
Property and liability insurance	1,289	223	43	1,109	4 %
Total premiums	**3,264**	**458**	**208**	**3,014**	7 %
FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS					
Life insurance inforce	2,243	169	—	2,074	— %
Premiums:					
Life insurance	1,017	1	—	1,016	— %
Total premiums	**1,017**	**1**	**—**	**1,016**	— %
FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS					
Life insurance inforce	1,339	190	—	1,149	— %
Premiums:					
Life insurance	431	1	—	430	— %
Total premiums	**431**	**1**	**—**	**430**	— %

(c) Supplemental Information Concerning Property-Casualty Insurance Operations

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Deferred acquisition cost	**185**	—	—
Reserves for unpaid claims and claim adjustment expenses	**(1,366)**	—	—
Unearned premiums	**(1,190)**	—	—
Earned premiums	**1,108**	—	—
Net investment income	**47**	—	—
Claims and claim adjustment expenses incurred related to:			
Current year	**(782)**	—	—
Prior years	**25**	—	—
Amortization of deferred acquisition costs	**(270)**	—	—
Paid claims and claim adjustment expenses	**(708)**	—	—
Premiums written	**1,123**	—	—

NOTE 29. SUBSEQUENT EVENTS

On February 8, 2023, the company announced a definitive merger agreement to acquire Argo Group International Holdings, Ltd. ("Argo") in an all-cash transaction for approximately $1.1 billion. The merger is expected to close in the second half of 2023, subject to approval by Argo shareholders and other closing conditions.

Since December 31, 2022, the company has issued 1,165,000 of class A shares from treasury to third-parties in exchange for 1,165,000 Brookfield shares. The shares were distributed to Brookfield as a dividend on its Class C shares, valued at $38 million. During this time, Brookfield also converted its holdings of 309,307 Brookfield Reinsurance class A exchangeable shares valued at $10 million into 380,268 class C shares.

**COMBINED CONDENSED FINANCIAL STATEMENTS OF
BROOKFIELD REINSURANCE LTD.**

(PARENT COMPANY)

All operating activities of Brookfield Reinsurance Ltd. (the “Parent Company”) are conducted by its operating subsidiaries, Brookfield Annuity Company (“BAC”), North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC (“NER SPC”) and American National Insurance Company (“American National”).

The Parent Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the Parent Company’s interest in its operating subsidiaries. The Parent Company is a holding company that does not conduct any substantive business operations and does not have any assets other than cash and cash equivalents, investments in its subsidiaries and due from related party. The operating subsidiaries are regulated insurance companies and therefore have restrictions on the ability to pay dividends, loan funds and make other upstream distributions to the Parent Company without prior approval by local regulators.

On May 25, 2022, the Parent Company, through its wholly-owned subsidiary BAM Re Holdings, acquired American National, which became an indirect wholly-owned subsidiary of the Parent Company.

These Combined Condensed Parent Company financial statements have been prepared using the same accounting principles and policies described in the notes to the Combined Consolidated Financial Statements. Refer to the Combined Consolidated Financial Statements and notes presented above for additional information and disclosures with respect to these combined condensed financial statements.

PARENT COMPANY INFORMATION

BROOKFIELD REINSURANCE LTD.

SCHEDULE I - COMBINED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT DEC.31 US$ MILLIONS	**2022**	2021
Assets		
Cash and cash equivalents	**$ —**	$ 25
Investments in subsidiaries	**3,998**	1,415
Due from related party	**45**	—
Total assets	**4,043**	1,440
Liability		
Accounts payable and accrued liabilities	**2**	1
Preferred shares	**2,512**	—
Due to related party	**80**	4
Total liabilities	**2,594**	5
Equity		
Share capital	**1,890**	1,499
Accumulated surplus (deficit)	**442**	(48)
Accumulated other comprehensive loss	**(883)**	(16)
Total equity	**1,449**	1,435
Total liabilities and equity	**$ 4,043**	$ 1,440

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

PARENT COMPANY INFORMATION

BROOKFIELD REINSURANCE LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2022**	2021	2020
Income (loss) of equity method investments	**$ 565**	$ (41)	$ 1
Operating expenses	**(8)**	(3)	—
Interest expense	**(67)**	—	—
Net income (loss)	**$ 490**	$ (44)	$ 1

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

PARENT COMPANY INFORMATION

BROOKFIELD REINSURANCE LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2022**	2021	2020
Net income (loss)	**$ 490**	$ (44)	$ 1
Other comprehensive (loss) income	**(823)**	(15)	3
Comprehensive (loss) income	**$ (333)**	$ (59)	$ 4

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

PARENT COMPANY INFORMATION

BROOKFIELD REINSURANCE LTD.

SCHEDULE I – COMBINED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2022**	2021	2020
Operating activities			
Net income (loss)	**$ 490**	$ (44)	$ 1
Non-cash items affecting net income			
Equity in undistributed earnings of subsidiaries	**(565)**	41	(1)
Changes in non-cash balances related to operations			
Changes in working capital	**32**	5	—
Cash from operating activities	**(43)**	2	—
Investing activities			
Investments in shares of subsidiaries	**(2,885)**	(1,475)	(13)
Cash used in investing activities	**(2,885)**	(1,475)	(13)
Financing activities			
Issuance of common equity	**450**	1,501	13
Issuance of preferred equity	**2,512**	—	—
Distributions	**(59)**	(3)	—
Cash from financing activities	**2,903**	1,498	13
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**25**	—	—
Net change during the year	**(25)**	25	—
Cash and cash equivalents, end of year	**$ —**	$ 25	$ —

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

PARENT COMPANY INFORMATION

BROOKFIELD REINSURANCE LTD.

SCHEDULE I – NOTES TO THE COMBINED CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Brookfield Reinsurance Ltd. (the "Parent Company") is a holding company that conducts all of its business operations through its subsidiaries. The Parent Company holds a direct 100% ownership interest in BAM Re Holdings Ltd., which holds the Parent Company's interest in its operating subsidiaries, Brookfield Annuity Company ("BAC"), North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC ("NER SPC") and American National Group, LLC ("American National").

The Parent Company is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Parent Company changed its name from Brookfield Asset Management Reinsurance Partners Ltd. to Brookfield Reinsurance Ltd. and changed its trading symbol from "BAMR" to "BNRE" with effect from December 14, 2022.

The Parent Company was established to become a reinsurance business focused on providing capital-based solutions to the insurance industry. Through its operating subsidiaries, the Parent Company offers a broad range of insurance products and services to individuals and institutions, including life insurance and annuities, health, and personal and commercial property and casualty insurance.

The Parent Company has accounted for the earnings of its subsidiaries under the equity method in these unconsolidated combined condensed financial statements.

The comparatives reflect the financial information of Brookfield Annuity Holdings Inc. ("BAH"), the predecessor of our Parent Company for financial reporting purposes, for the year ended December 31, 2020 and through June 2021.

No dividends have been received from any of our subsidiaries in the past three years.

NOTE 2. COMMITMENTS AND CONTINGENCIES

The Parent Company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $500 million, and as at December 31, 2022, $356 million was drawn on the bilateral credit facilities. The Parent Company had no other material commitments or contingencies during the reported periods.

NOTE 3. SHARE CAPITAL AND PREFERRED SHARES

On May 25, 2022, the Parent Company issued 98,351,547 Class A Junior Preferred Shares, Series 1, for proceeds of $2.5 billion to Brookfield Corporation ("Brookfield"), formerly Brookfield Asset Management Inc.. On December 9, 2022, the Parent Company issued 2,108,733 Class A Junior Preferred Shares, Series 2 to Brookfield, for proceeds of $53 million. At December 31, 2022, there was $67 million of accrued dividends (December 31, 2021 - $Nil).

In addition, on May 25, 2022, the Parent Company issued 11,270,466 class C shares for $450 million to Brookfield.

During the year, Brookfield converted its holdings of 1,283,000 Brookfield Reinsurance class A exchangeable shares for $51 million into 6,119,609 class C shares.

Exhibit 11

Brookfield

2021

ANNUAL

REPORT

Brookfield Asset Management Reinsurance Partners Ltd.

INDEX

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Brookfield Asset Management Reinsurance Partners Ltd.

Opinion on the Financial Statements

We have audited the accompanying combined consolidated statements of financial position of Brookfield Asset Management Reinsurance Partners Ltd. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related combined consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes, and the schedule of the Condensed Financial Statements of Brookfield Asset Management Reinsurance Partners Ltd. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Insurance Reserves - Refer to Notes 2(r) and 10 to the financial statements

Critical Audit Matter Description

The Company has significant insurance reserves representing the majority of its total liabilities. The Company uses different actuarial methodologies to determine insurance reserves depending on the nature of the underlying contract products and applicable jurisdictional guidance, as is permitted by IFRS 4, Insurance Contracts, some of which involve high levels of complexity.

While there are many assumptions which management makes to determine insurance reserves, the assumptions with the greatest uncertainty are those related to mortality and surrender, lapse and withdrawal rates (collectively "policyholder behaviour"). These assumptions required subjective and complex auditor judgment in certain circumstances, including where (i) there is limited company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) the policyholder behaviour may be irrational. Auditing of certain valuation methodologies and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation methodologies and assumptions related to mortality and policyholder behaviour included the following, among others:

- With the assistance of actuarial specialists, we tested the reasonableness of mortality and policyholder behaviour assumptions, by:
    - Evaluating management's methods and assumptions in accordance with applicable actuarial principles and practices under actuarial standards of practice.
    - Testing inputs used in the determination of the mortality and policyholder behaviour assumptions.
    - Analyzing management's methods and interpretation of data used to adjust industry tables, applying industry guidance, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of data, where applicable.
    - With the assistance of actuarial specialists, we tested the appropriateness of valuation methodologies used in the estimation process by:
    - Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology.
    - Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected and key assumptions were incorporated in those actuarial models for the reinsurance deals undertaken.
    - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies included in the reinsurance deals undertaken and comparing the results to the Company's results.

Accounting for Structured Entities - Refer to Note 2(ai) to the financial statements

Critical Audit Matter Description

The Company invests a portion of its assets in structured entities ("entities"). These entities issued debt and preferred share securities to the Company's reinsurance treaty accounts, including modified coinsurance accounts held by third party insurance companies. The Company is not involved in the investment decision process and has a residual economic interest in the entities. The Company determined that it has control over the entities, and as such has consolidated the entities.

The determination of the accounting treatment for the entities required management to evaluate whether the Company exercised control or significant influence over the entities. This involved significant management judgment to interpret the key agreements and related party relationships associated with the entities. Auditing whether the Company exercised control or significant influence over the entities required a high degree of subjectivity which resulted in an increased extent of audit effort including the need to involve technical accounting specialists.

How the Critical Audit Matter Was Addressed in the Audit

With the assistance of technical accounting specialists, our audit procedures related to the evaluation of whether the Company exercised control or significant influence over the entities included the following, among others:

- Assessed the executed agreements with counterparties to understand the nature of the instruments that were issued by the entities to determine which party was exposed, or had rights, to variable returns from their investment in the financial instruments issued by the entities.

- Evaluated related party relationships to understand whether the Company, through such relationships, had power over the entities and the ability to use such power to affect the amount of returns to the Company.

- Evaluated management's assessment of whether the Company exercised control or significant influence over the entities by analyzing specific facts and circumstances against relevant accounting guidance.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 22, 2022

We have served as the Company's auditor since 2016.

COMBINED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DEC. 31 US$ MILLIONS	Note	**2021**	2020
Assets			
Cash and cash equivalents	3	**$ 393**	$ 35
Investments	3	**4,943**	1,193
Accounts receivable and other	4	**47**	13
Reinsurance funds withheld	3	**4,650**	—
Derivative assets	3	**146**	7
Deferred tax asset	15	**20**	—
Property and equipment	5	**2**	2
Intangible assets	6	**3**	—
Equity accounted investments	8	**344**	—
Deferred acquisition costs	7	**776**	**—**
Reinsurance assets	10	**169**	190
Total assets		**$ 11,493**	$ 1,440
Liabilities			
Insurance reserves	10	**$ 8,497**	$ 1,339
Accounts payable and other	9	**65**	6
Due to related parties	17	**467**	—
Reinsurance payable		**75**	—
Corporate borrowings	13	**693**	—
Deferred revenue		**82**	—
Liabilities of structured entities		**167**	—
Funds withheld liabilities	3	**12**	12
Total liabilities		**10,058**	1,357
Equity			
Brookfield Asset Management Inc.[1]		**—**	83
Class A exchangeable and Class B[2]		**539**	—
Class C[2]		**896**	—
Total equity		**1,435**	83
Total liabilities and equity		**$ 11,493**	$ 1,440

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	**2021**	2020	2019
Premiums				
Gross		**$ 7,207**	$ 431	$ 504
Ceded		**(1)**	(1)	(179)
Net premiums		**7,206**	430	325
Net investment income	3	**60**	84	57
Net investment results from funds withheld	3	**78**	—	—
Total revenues		**7,344**	514	382
Income from equity accounted investments	8	**8**	—	—
Benefits paid on insurance contracts				
Gross		**310**	63	39
Ceded		**(18)**	(25)	(14)
Change in insurance reserves	10			
Gross		**6,958**	457	538
Ceded		**22**	11	(193)
Other reinsurance expenses		**19**	—	—
Operating expenses	14	**35**	6	6
Net hedging expenses		**59**	—	—
Interest expense		**9**	—	—
Total benefits and expenses		**7,394**	512	376
Net (loss) income before income taxes		**(42)**	2	6
Current tax expense	15	**—**	(1)	—
Deferred tax expense	15	**(2)**	—	—
Net (loss) income for the year		**$ (44)**	$ 1	$ 6
Attributable to:				
Brookfield Asset Management Inc.[1]		**5**	1	6
Class A exchangeable and Class B shareholders[2]		**3**	—	—
Class C shareholders[2]		**(52)**	—	—
		$ (44)	$ 1	$ 6
Net income per class C share				
Basic and diluted[3]	16	**$ (2.58)**		

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).
3. Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 are attributed to our predecessor company Brookfield Annuity Holdings Inc. See Note 2(ag).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income	**$ (44)**	$ 1	$ 6
Other comprehensive income (loss) that will be reclassified to net income (loss)			
Equity accounted other comprehensive income	**44**	—	—
Net unrealized (loss) gain on available for sale securities	**(55)**	1	—
Foreign currency translation	**(4)**	2	3
Total other comprehensive (loss) income	**(15)**	3	3
Comprehensive (loss) income	**$ (59)**	$ 4	$ 9
Attributable to:			
Brookfield Asset Management Inc.[1]	**6**	4	9
Class A exchangeable and Class B shareholders[2]	**3**	—	—
Class C shareholders[2]	**(68)**	—	—
	$ (59)	$ 4	$ 9

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Note	Brookfield Asset Management Inc. Share Capital	Brookfield Asset Management Inc. Accumulated Surplus (Deficit)	Brookfield Asset Management Inc. Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Class A exchangeable and Class B shareholders Share Capital	Class A exchangeable and Class B shareholders Accumulated Surplus (Deficit)	Class A exchangeable and Class B shareholders Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Class C shareholders Share Capital	Class C shareholders Accumulated Surplus (Deficit)	Class C shareholders Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2021		$ 78	$ 1	$ 4	$ 83	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 83
Changes in year:														
Net income (loss)		—	5	—	**5**	—	3	—	**3**	—	(52)	—	**(52)**	**(44)**
Other comprehensive income (loss)		—	—	1	**1**	—	—	—	**—**	—	—	(16)	**(16)**	**(15)**
Comprehensive income (loss)		—	5	1	**6**	—	3	—	**3**	—	(52)	(16)	**(68)**	**(59)**
Other items														
Equity issuances / Reorganization[1]	11	(78)	—	—	**(78)**	539	—	—	**539**	963	—	—	**963**	**1,424**
Return of capital[2]	11	—	—	—	**—**	(3)	—	—	**(3)**	—	—	—	**—**	**(3)**
Common control transaction adjustments[3]		—	(6)	(5)	**(11)**	—	—	—	—	—	1	—	**1**	**(10)**
Total change in year		(78)	(1)	(4)	**(83)**	536	3	—	**539**	963	(51)	(16)	**896**	**1,352**
Balance as at December 31, 2021		**$ —**	**$ —**	**$ —**	**$ —**	**$ 536**	**$ 3**	**$ —**	**$ 539**	**$ 963**	**$ (51)**	**$ (16)**	**$ 896**	**$1,435**

1. See Note 1(b) for details regarding the Spin-off and reorganization.
2. The Company distributed $0.13 in the form of a return of capital per each Class A exchangeable and Class B share in the third and fourth quarters of 2021.
3. See Note 2(c) for details regarding the common control transaction.

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				
	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2020	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**
Changes in year:													
Net income	—	1	—	**1**	—	—	—	**—**	—	—	—	**—**	**1**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**3**
Comprehensive income	—	1	3	**4**	—	—	—	**—**	—	—	—	**—**	**4**
Other items													
Equity issuances	13	—	—	**13**	—	—	—	**—**	—	—	—	**—**	**13**
Total change in year	13	1	3	**17**	—	—	—	**—**	—	—	—	**—**	**17**
Balance as at December 31, 2020	**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2019 US$ MILLIONS	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				
	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2019	$ 60	$ (6)	$ (2)	**$ 52**	$ —	$ —	$ —	**$ —**	$ —	$ —	$ —	**$ —**	**$ 52**
Changes in year:													
Net income	—	6	—	**6**	—	—	—	**—**	—	—	—	**—**	**6**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**3**
Comprehensive income	—	6	3	**9**	—	—	—	**—**	—	—	—	**—**	**9**
Other items													
Equity issuances	5	—	—	**5**	—	—	—	**—**	—	—	—	**—**	**5**
Total change in year	5	6	3	**14**	—	—	—	**—**	—	—	—	**—**	**14**
Balance as at December 31, 2019	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Operating activities			
Net (loss) income	**$ (44)**	$ 1	$ 6
Non-cash items affecting net income			
Premium received in kind	**(167)**	—	—
Unrealized gains on investments and derivatives	**33**	(51)	(27)
Net hedging expenses	**(27)**	—	—
Income tax expense	**2**	1	—
Income from equity accounted investments	**(8)**	—	—
Realized gain on investments	**(23)**	—	—
Changes in non-cash balances related to operations			
Changes in reinsurance receivable	**(9)**	—	—
Changes in reinsurance funds withheld	**(4,650)**	—	—
Changes in deferred tax asset	**(24)**	—	—
Changes in reinsurance assets	**22**	10	(193)
Changes in reinsurance payable	**75**	—	—
Changes in insurance reserves	**7,152**	457	538
Changes in deferred revenue	**82**	—	—
Changes in funds withheld liabilities	**—**	12	—
Changes in deferred acquisition costs	**(776)**	—	—
Changes in working capital	**52**	(1)	(6)
Operating activities affecting cash			
Realized gains on investments and derivatives	**(4)**	(3)	(9)
Interest income received	**(51)**	(27)	—
Purchase of derivatives	**(133)**	—	—
Proceeds from disposal of derivatives	**79**	—	—
Cash flows from operating activities	**1,581**	399	309
Investing activities			
Dividends received	**2**	—	—
Interest income received	**51**	27	—
Purchase of investments			
Bonds	**(4,251)**	(971)	(1,010)
Private debt	**(181)**	—	—
Common equity	**(644)**	—	—
Private equity and other	**(219)**	—	(1)
Mortgages	**(185)**	—	(1)
Private loans	**(512)**	(4)	(11)
Sales and maturities of investments			
Bonds	**2,001**	561	754
Common equity	**20**	—	—
Private equity and other	**1**	1	1
Mortgages	**18**	—	—
Private loans	**36**	2	—
Purchase of intangibles	**(1)**	(1)	—
Cash flows from investing activities	**(3,864)**	(385)	(268)

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Financing activities			
Issuance of equity	**1,410**	13	5
Return of capital	**(8)**	—	—
Borrowings from related parties	**960**	—	—
Repayments of borrowings to related parties	**(582)**	—	—
Borrowings from external parties	**693**	—	—
Borrowings of structured entities	**167**	—	—
Proceeds from repurchase agreement	**464**	222	245
Repayments of repurchase agreement	**(464)**	(222)	(285)
Cash flows from financing activities	**2,640**	13	(35)
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**35**	13	8
Net change during the year	**357**	27	6
Foreign exchange on cash balances held in foreign currencies	**1**	(5)	(1)
Cash and cash equivalents, end of year	**$ 393**	$ 35	$ 13

The accompanying notes are an integral part of the combined consolidated financial statements.

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

(a) Brookfield Asset Management Reinsurance Partners Ltd.

Brookfield Asset Management Reinsurance Partners Ltd. (“BAM Re” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company was established to become a reinsurance business focused on providing capital-based solutions to insurance companies and their stakeholders. The Company’s class A exchangeable shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol “BAMR”. The Company’s operations are located primarily in Bermuda, Canada, and the Cayman Islands. The Company’s original registered head office was 73 Front Street 5th Floor, Hamilton HM 12, Bermuda. During the third quarter, the registered head office was changed to Wellesley House South, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. (“BAM Re Holdings”), which holds the Company’s interest in its operating subsidiaries North End Re Ltd. (“NER Ltd.”) and North End Re (Cayman) SPC ("NER SPC") and Brookfield Annuity Company ("BAC").

Through its operating subsidiaries, the Company acts as a direct issuer of pension risk transfer products for pension plan sponsors and provides annuity-based reinsurance products to insurance and reinsurance companies. The Company currently has two operating segments, Reinsurance and Pension Risk Transfer (“PRT”).

(b) Spin-off of Brookfield Asset Management Reinsurance Partners Ltd.

On June 28, 2021, Brookfield Asset Management Inc. (“Brookfield Asset Management”) completed the spin-off of the Company (the “Spin-off”), which was affected by way of a special dividend of the class A exchangeable limited voting shares (“class A exchangeable shares”) of the Company to holders of Brookfield Class A limited voting shares (“Brookfield Class A Shares”) and Class B limited voting shares (“Brookfield Class B Shares”) as of June 18, 2021 (the “record date”). Pursuant to the special dividend, as of the record date, holders of Brookfield Class A Shares and Class B Shares received one class A exchangeable share for every 145 Brookfield Class A Shares or Class B Shares held. Brookfield Asset Management holds all the class C non-voting shares (“class C shares”), giving it the residual economic interest in the Company, but no voting interest in it.

Prior to the Spin-off, Brookfield Asset Management effected a reorganization so that the Company’s PRT business (the “Business”) and other investments that were historically owned and operated by Brookfield Asset Management, through its operating entities, were acquired by BAM Re Holdings, a subsidiary of the Company.

The following describes the transactions and agreements resulting from the Spin-off:

(i) Class A exchangeable shares

As part of the Spin-off, Brookfield Asset Management subscribed for 11 million class A exchangeable shares for approximately $538 million in cash. Upon Spin-off, Brookfield Asset Management distributed the 11 million class A exchangeable shares as a special dividend to the Brookfield Asset Management shareholders who hold Brookfield Class A Shares and Brookfield Class B Shares.

(ii) Class B shares

As part of the Spin-off, holders of class B shares (“BAM Re Class B Partners”), through a voting trust, subscribed for 24,000 class B shares for $1 million.

(iii) Class C shares

As part of the Spin-off, Brookfield Asset Management transferred its ownership in the Business along with its holdings of American Equity Investment Life Holding Company (“AEL Holdings”) common shares and additional cash for working capital purposes to the Company. The total value of the consideration provided to the Company was approximately $712 million, which was exchanged for 17 million class C shares. In October 2021, the Company issued an additional 7 million class C shares to Brookfield Asset Management for consideration of $250 million. As at December 31, 2021, there were 24 million class C shares outstanding. Brookfield Asset Management owns all the issued and outstanding class C shares.

(iv) Equity Commitment

As part of the Spin-off, Brookfield Asset Management provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of a number of class C shares or junior preferred shares. Further details of the equity commitment are described in Note 17.

(v) Credit Agreement

As part of the Spin-off, the Company entered into a credit agreement with Brookfield Asset Management (the “Brookfield Credit Agreement”) as lender on June 28, 2021, providing for a three-year revolving $200 million credit facility. On March 9, 2022, the revolving credit facility agreement was increased to $400 million. Further details of the Brookfield Credit Agreement are described in Note 17.

(vi) Support Agreement

As part of the Spin-off, the Company entered into a support agreement with Brookfield Asset Management (the “Support Agreement”). Brookfield Asset Management has agreed to support the economic equivalence of the class A exchangeable shares and Brookfield Class A Shares for so long as class A exchangeable shares not owned by Brookfield Asset Management are outstanding, and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable the Company to pay quarterly distributions, the liquidation amount, or the amount payable on a redemption of class A exchangeable shares, as the case may be. Further details of the Support Agreement are described in Note 17.

(vii) Rights Agreement

As part of the Spin-off, the Company entered into a rights agreement with Brookfield Asset Management (the “Rights Agreement”), pursuant to which Brookfield Asset Management has agreed that on the applicable specified exchange date with respect to any class A exchangeable shares submitted for exchange, Brookfield Asset Management will satisfy, or cause to be satisfied, the obligations pursuant to our memorandum of association and by-laws to exchange such subject class A exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. Further details of the Rights Agreement are described in Note 17.

(viii) Administration Agreement

As part of the Spin-off, the Company entered into an administration agreement with Brookfield Asset Management (the “Administration Agreement”), pursuant to which Brookfield Asset Management has agreed to provide administrative services to the Company, including the services of our Chief Executive Officer and Chief Investment Officer and certain other administrative services, on a cost-recovery basis. Further details of the Administration Agreement are described in Note 17.

(ix) *Investment Management Agreement*

As part of the Spin-off, the Company entered into one or more Investment Management Agreements appointing Brookfield Asset Management as the investment manager of certain assets and accounts, including assets backing the liabilities assumed by the Company under the insurance and future reinsurance arrangements, and any assets held as surplus. Further details of the Brookfield Investment Management Agreements are described in Note 17.

(x) *Licensing Agreement*

As part of the Spin-off, the Company entered into a licensing agreement with Brookfield Asset Management (the “Brookfield Licensing Agreement”), pursuant to which Brookfield Asset Management has granted a non-exclusive, royalty-free sub-license to use the name “Brookfield” and the Brookfield logo. Further details of the Brookfield Licensing Agreement are described in Note 17.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Combined Consolidated Financial Statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated.

The financial statements were authorized for issue by the Board of Directors of the Company on March 22, 2022.

(b) Basis of Consolidation

The financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

(c) Continuity of Interest

As described above, BAM Re was established on December 10, 2020 by Brookfield and on June 28, 2021 Brookfield Asset Management completed the Spin-off of the Business to the Company and the special dividend declaration to holders of Brookfield's Class A and B Shares. Brookfield Asset Management controlled the Business prior to the Spin-off and has significant influence over the Company subsequent to the Spin-off through its interests in the Company. The Business was transferred before Spin-off, as part of the reorganization, and therefore the transactions are common control transactions. In accordance with the Company and Brookfield Asset Management's accounting policy, the Company has reflected the Business in its financial position and results of operations using Brookfield Asset Management's carrying values, prior to the Spin-off.

In addition, certain investments were transferred as part of the reorganization. These are treated as asset acquisitions and are also considered common control transactions. The accounting policy is to record the common control asset acquisitions on the date of occurrence at the historical carrying value, with any gain or loss against the consideration paid being recorded in equity. To reflect this continuity of interest, these financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off (see Note 1(b)) have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the Company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the Company, including the adjustments associated with the Spin-off and the execution of several agreements (see Note 17). Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

(d) Class A exchangeable shares

As described in Note 1 (b)(i), the Company's equity interests include the class A exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield Asset Management at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield Asset Management), plus unpaid distributions. Brookfield Asset Management currently intends to satisfy any exchange requests on the class A exchangeable shares through the delivery of Brookfield Class A Shares rather than cash. Each class A exchangeable share, held on the record date, has voting rights and is entitled to cast one vote at a meeting of shareholders of the Company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(e) Class B shares

As described in Note 1 (b)(ii), the Company's equity interests include the class B shares held by BAM Re Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The BAM Re Class B Partners are entitled to one vote on any matter and can cast one vote for each class B share held at the record date.

The class B shares are classified as equity instruments. The class B shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(f) Class C shares

As described in Note 1 (b)(iii), the Company's equity interests include the class C shares held by Brookfield Asset Management. The class C shares are non-voting shares that are entitled to the residual economic interest in the Company after payment in full of the amount due to holders of our class A exchangeable shares and our class B shares and subject to the prior rights of holders of the Preferred Shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(g) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of 90 days or less. The Company classifies cash and cash equivalents at amortized cost.

Cash and cash equivalents exclude cash balances and short-term investments that are for use by the Company as part of the reinsurance funds withheld arrangement (Note 2(i)).

(h) Investments

Investments are financial assets which are comprised of common shares, preferred shares, bonds and fixed-income instruments. The Company uses the trade date to account for investment transactions.

Financial assets are classified into one of the following categories:

- AFS assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- FVTPL assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. Financial assets supporting capital and surplus and coinsurance reserves are classified as AFS or as loans and receivables. Unrealized gains (losses) are recognized in other comprehensive income (loss). Upon realization, gains or losses are reclassified to the Combined Consolidated Statements of Operations and recorded in net investment income (loss).

Financial assets supporting insurance reserves under PRT and modified coinsurance reserves under reinsurance are designated as FVTPL or as loans and receivables. Any changes in the fair value of the underlying assets matched to the insurance reserves are directly reflected in the insurance reserves. Unless the asset is deemed to be impaired, changes in fair value of assets matching these liabilities and changes in the corresponding insurance reserves are directly recognized in the Combined Consolidated Statements of Operations in order to avoid a mismatch that would otherwise arise.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income (loss) and presented in realized gains (losses) on investments which is included in net investment income.

(i) Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which NER Ltd. and NER SPC, indirect wholly owned subsidiaries of the Company, act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by NER Ltd. and NER SPC. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, NER Ltd. and NER SPC would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. and NER SPC have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by NER Ltd. and NER SPC. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments (Note 2(k)).

(j) Funds withheld liabilities

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where BAC acts as a cedant. While the assets in the funds withheld liabilities are legally owned by BAC, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. BAC's funds withheld liabilities balance includes cash and cash equivalents, fixed income securities and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

(k) Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, cross currency swaps, interest rate swaps, and bond futures. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in fair value of derivatives are recorded in net investment income (loss), in the Combined Consolidated Statements of Operations.

Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the Combined Consolidated Statements of Financial Position. Changes in the fair value are included in the net investment results from funds withheld in the Combined Consolidated Statements of Operations.

(l) Assets pledged as collateral

The Company receives and pledges collateral in respect to certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Combined Consolidated Statements of Financial Position as the Company retains all rights related to these assets.

Collateral received is not recognized in the Combined Consolidated Statements of Financial Position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

(m) Collateralized borrowing transactions

Securities sold under repurchase agreements are collateralized borrowing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at amortized cost and are recorded at amounts at which the securities were initially sold.

The Company recognizes an asset in the Combined Consolidated Statements of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Combined Consolidated Statements of Financial Position.

(n) Right to offset

Amounts presented in these financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(o) Impairment

At each reporting date, financial assets are assessed for impairment indicators. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. For AFS equity investments, a significant and prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer's financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Combined Consolidated Statements of Operations.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Combined Consolidated Statements of Operations.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. In addition, irrespective of whether there is any indication of impairment, intangible assets not yet available for use are tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Classification of Financial Instruments

Accrued investment income, reinsurance receivable, due from related party, private loans, mortgages, and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, accounts payable and accrued liabilities, and other liabilities have been classified as other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. For these items, carrying value approximates fair value due to their short-term nature. Further details of the financial instruments are described in Note 3.

(q) Leases

IFRS 16 Leases ("IFRS 16") specifies how to recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the Company will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The ROU asset is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the Company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the Company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized. The ROU asset is included in property and equipment in the Combined Consolidated Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the Company's estimate of the amount expected to be payable.

(r) Insurance reserves

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Combined Consolidated Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

In accordance with IFRS 4, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

The long-term insurance reserves are calculated separately for each product type, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market.

Insurance reserves are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4.

Insurance reserves represent the amount required to provide for future benefits payments and administrative expenses on policies in force with BAC. Insurance reserves are presented gross of reinsurance assets on the Combined Consolidated Statements of Financial Position. BAC's Appointed Actuary is responsible for determining the amount of insurance reserves in accordance with standards established by the CIA. CALM is used to determine insurance reserves and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that insurance reserves cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

BAC has designated invested assets supporting insurance reserves as FVTPL or as loans and receivables. Since the value of the insurance reserves is determined by reference to the assets supporting those reserves, changes in the insurance reserves offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

Insurance reserves are determined by NER Ltd. using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Insurance reserves are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Insurance reserves are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

(s) Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements (“Modco”). NER Ltd. generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Combined Consolidated Statements of Operations. Assumed premiums are included in premiums on the Combined Consolidated Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Combined Consolidated Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the Company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

(t) Reinsurance ceded

In the normal course of business, BAC is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are assessed for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

<u>Longevity reinsurance</u>
BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Combined Consolidated Statements of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Combined Consolidated Statements of Operations.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Combined Consolidated Statements of Financial Position. The reinsurance assets related to longevity reinsurance is the difference between the schedule of fixed and actual benefit payments on a proportion of defined blocks of business.

Quota share reinsurance
BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of business.

At the inception of each quota share reinsurance contract, premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC also recognizes a reinsurance asset and a change in insurance reserves ceded in the Combined Consolidated Statements of Financial Position and the Combined Consolidated Statements of Operations, respectively. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by OSFI. The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

(u) Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Combined Consolidated Statements of Operations.

(v) Deferred acquisition costs

The Company incurs costs in connection with acquiring or renewal of reinsurance business. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as deferred acquisitions costs (“DAC”) to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances. The DAC is amortized over the life of the policies in proportion to the estimated gross profits.

(w) Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

(x) Benefits paid

Gross benefits and benefits ceded are recorded in the Combined Consolidated Statements of Operations when they are due and incurred.

(y) Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments and derivatives represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on investments and derivatives measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

Investment upfront fees are recognized when the performance obligation has been satisfied under the contractual terms and customary business practice, which may be satisfied over time or at a point in time, in accordance with IFRS 15. The amounts are included in net investment income.

(z) Net investment results from funds withheld

Net investment results from funds withheld include investment income on funds withheld investments and changes in the fair value of derivatives embedded in reinsurance contracts, as discussed in Note 2(k). Changes in the fair value of the embedded derivative are included in the net investment results from funds withheld in the Combined Consolidated Statements of Operations.

(aa) Net hedging expenses

Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the Company's insurance operating companies' investment portfolios or insurance reserves.

(ab) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the Company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

(ac) Foreign currencies

The Company's functional currency was changed from Canadian Dollar ("CAD") to USD during the fourth quarter as the primary economic activities which influenced the services provided, investment portfolio and financing activities were based in the United States. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the year. Gains or losses on translation of these items are included in net income.

For purposes of presenting the financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the year. Gains or losses on translation of these items are included in other comprehensive income.

There was no impact on the financial statements as a result of the change in functional currency, as the Company's presentation was previously determined to be USD.

(ad) Investment in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. We use the equity method to account for our investments in associates within the Combined Consolidated Statements of Financial Position.

Interests in associates accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the Company's proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 8.

(ae) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to five years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The ROU asset is depreciated on the straight-line basis over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

(af) Segments

In accordance with IFRS 8 Operating Segments, the Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocation of resources and assessing performance. The Company's CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the Company. Our operations were reorganized into two reportable segments during the fourth quarter: Reinsurance and PRT (see Note 18).

(ag) Earnings per share

The holders of the class C shares are entitled to received distributions if, as and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the Company's distributable earnings (as determined by management of the Company) after payment of distributions on the class A exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs, and other similar adjustments.

Total outstanding class C shares have been used to calculate basic and diluted earnings per share. Class A exchangeable shares and class B shares are not considered participating securities nor considered to be ordinary shares, and consequently per share amounts for these classes of shares has not been presented.

Basic earnings per share attributable to class C shareholders are calculated by dividing the Company's net income for the year, less distributions payable to class A exchangeable and class B shareholders, by the weighted average number of class C shares outstanding during the year. Diluted earnings per share are determined by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential shares.

Basic and diluted earnings per share for the year ended December 31, 2020 and 2019 of $18.92 and $67.72, respectively, were calculated by dividing the net income attributable to Brookfield for the year by the weighted average number of BAH common shares (2020 – 85 million, 2019 – 81.6 million, respectively). The earnings per share amounts for December 31, 2020 and 2019 are not comparable to the earnings per share amount for the year ended December 31, 2021 as a result of the Spin-off and the issuance of Class A exchangeable shares, class B shares and class C shares on June 28, 2021. Further details of the Spin-off are described in Note 1(b).

(ah) Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of insurance reserves, reinsurance assets, the fair value of financial assets determined using valuation techniques and the impairment of financial instruments. Actual results may differ from our estimates thereby impacting the financial statements. Outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

Management judgment is also used in applying the accounting policies used to prepare the financial statements. The items most susceptible to changes in estimate and judgements are the measurement of reinsurance assets (Note 10), insurance reserves (Note 10), and impairment of available-for-sale securities and loans and receivables (Note 3).

(ai) Structured entities

The Company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the Company, and its reinsurance treaty accounts.

The Company is the primary beneficiary of the variable returns of assets held within the entities, and while the Company is not involved in the investment decision process, the investment manager for the structured entities is a related party with significant residual economic interest in the Company. As a result, these entities are consolidated within the Company's financial statements. We assess the variable returns determination for our structured entities on an ongoing basis. Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the Company's investment in the consolidated structured entities is determined in accordance with the Company's accounting policies for the underlying securities held within the structured entities.

(aj) Amendments adopted during the current year

(i) Interest Rate Benchmark Reform

In August 2020, the IASB published Interest Rate Benchmark Reform—Phase 2, which issued amendments to IFRS 9, IAS 39, IFRS 7 Financial Instruments: Disclosures, IFRS 4 and IFRS 16. The amendments complement Interest Rate Benchmark Reform—Phase 1, which was issued in 2019, and focus on the effects on financial statements when the old interest rate benchmark is replaced with an alternative benchmark rate as a result of the reform. The amendments provide relief from remeasurement impacts on financial instruments and discontinuance of hedge relationships arising from reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments were effective for annual reporting periods beginning on or after January 1, 2021.

Most US London Interbank Offered Rate ("LIBOR") values will be discontinued on June 30, 2023. Transition activities in the market are ongoing and are focused on two broad streams of work: (i) developing new alternative risk-free rate linked products and (ii) converting existing LIBOR-based contracts to alternative risk-free rates. Transition activities for the Company include incorporation of contractual provisions for new LIBOR-based financial instruments that provide a means to determining new alternative benchmark rates upon the expiry of LIBOR. The Company invests in the debt securities that pay interest based on floating interest rates indexed to either one-month, three-month or six-month US LIBOR. As at December 31, 2021, the carrying value of these debt securities was $425 million. The Company does not expect the transition to an alternative risk-free rate to have a material impact on its Combined Consolidated Financial Statements and its risk management strategy. The Company does not have any further exposure to LIBOR as at December 31, 2021.

(ak) Future accounting policy changes

(i) IFRS 17

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB issued the amendment to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023. In addition, the IASB extended the exemption for qualifying insurers to apply IFRS 9 Financial Instruments ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Combined Consolidated Statements of Operations. The Company continues to assess the impact of IFRS 17, which is expected to have a significant impact on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

(ii) *IFRS 9*

In July 2014, the IASB published the complete version of IFRS 9, which replaces IAS 39 and is effective for annual periods beginning on or after January 1, 2018, with retrospective application. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model, and new hedge accounting guidance. In September 2016, the IASB issued an amendment to IFRS 4 to provide qualifying insurance companies with an optional temporary exemption from applying IFRS 9. The Company qualifies and has elected to take the deferral approach as its activities are predominantly connected with insurance.

In December 2021, the IASB published a narrow-scope amendment to IFRS 9, which allow insurers to apply the classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on the initial application of IFRS 9 and IFRS 17.

The Company is currently assessing the impact of implementing IFRS 9 on the Combined Consolidated Financial Statements. Further details are disclosed in Note 3(h).

(iii) *Amendments to IFRS 3*

In May 2020, the IASB issued Reference to the Conceptual Framework, which includes amendments to IFRS 3 Business Combinations. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(iv) *Amendments to IAS 37*

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(v) *Annual Improvements to IFRS Standards 2018-2020*

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our Combined Consolidated Financial Statements. The amendments apply prospectively. The amendments are effective for annual periods beginning on or after January 1, 2022.

(vi) Amendments to IAS 1

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(vii) Amendments to IAS 8

In February 2021, IASB published 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(viii) Amendments to IAS 12

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12, Income Taxes. The amendments relate to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The amendments are effective for annual reporting period beginning on or after January 1, 2023. The Company is evaluating the impact of the adoption of these amendments on its Combined Consolidated Financial Statements.

(al) Impact of COVID-19

Since the outbreak of COVID-19, emergency measures taken in response to the spread of the virus have resulted in significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving and the duration and impact of the COVID-19 pandemic is highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the assets. Where COVID-19 relates specifically to our business, specifically in valuing our insurance and reinsurance liabilities, we have allowed for identified deaths but we have not made any changes to our longevity assumptions as it remains too early to quantify the potential long-term impacts from COVID-19 on longevity.

NOTE 3. FINANCIAL INSTRUMENTS

a) Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT DEC. 31 US$ MILLIONS	2021 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 320	**$ 320**
Cash equivalents	—	—	73	**73**
Total cash and cash equivalents	**—**	**—**	**393**	**393**
Derivatives				
Foreign exchange forwards	10	—	—	**10**
Bond futures	9	—	—	**9**
Options	127	—	—	**127**
Total derivative assets	**146**	**—**	**—**	**146**
Bonds				
Government	377	1,287	—	**1,664**
Corporate	1,586	306	—	**1,892**
Private debt	—	208	—	**208**
Total debt securities	**1,963**	**1,801**	**—**	**3,764**
Common shares	—	275	—	**275**
Preferred shares	4	14	—	**18**
Private equity and other	—	247	—	**247**
Total equity	**4**	**536**	**—**	**540**
Total loans and receivables	**—**	**—**	639	**639**
Total investments	**1,967**	**2,337**	**639**	**4,943**
Reinsurance funds withheld	**4,650**	—	—	**4,650**
Interest rate swaps	(1)	—	—	**(1)**
Total derivative liabilities	**(1)**	**—**	**—**	**(1)**
Funds withheld liabilities	**(12)**	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

AS AT DEC. 31 US$ MILLIONS	2020 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 16	**$ 16**
Cash equivalents	—	—	19	**19**
Total cash and cash equivalents	**—**	**—**	**35**	**35**
Derivatives				
Foreign exchange forwards	5	—	—	**5**
Bond futures	2	—	—	**2**
Total derivative assets	**7**	**—**	**—**	**7**
Bonds				
Government	372	29	—	**401**
Corporate and other	732	36	—	**768**
Total debt securities	**1,104**	**65**	**—**	**1,169**
Total preferred shares	—	3	—	**3**
Total loans and receivables	—	—	21	**21**
Total investments	**1,104**	**68**	**21**	**1,193**
Funds withheld liabilities	**(12)**	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

The Company assesses that the carrying value of the financial assets measured by amortized cost approximates their fair value.

The fair value of investments, excluding common shares, preferred shares and cash and cash equivalents, are shown by contractual maturity of investments.

AS AT DEC. 31 US$ MILLIONS	2021	2020
Terms to maturity:		
Bonds:		
Within 1 year	$ 1,223	$ 31
1-3 years	50	46
4-5 years	116	40
Over 5 years	2,167	1,052
Private debt:		
Within 1 year	96	—
1-3 years	—	—
4-5 years	—	—
Over 5 years	112	—
Loans and receivables		
Within 1 year	170	—
1-3 years	117	3
4-5 years	116	—
Over 5 years	236	18
Total	**$ 4,403**	$ 1,190

AFS investments and investments measured at amortized cost are individually evaluated for impairment in establishing the allowance for impairment. For the year ended December 31, 2021, the Company did not incur any impairment expense (December 31, 2020 – $Nil).

b) Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13 Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy, excluding financial assets and financial liabilities that are carried at amortized cost.

AS AT DEC. 31 US$ MILLIONS	2021 Level 1	 Level 2	 Level 3	 Total
Financial assets				
Fair value through profit or loss:				
Bonds	$ —	$ 1,963	$ —	**$ 1,963**
Common shares	243	—	—	**243**
Preferred shares	4	—	—	**4**
Derivative assets	9	137	—	**146**
Reinsurance funds withheld	—	4,650	—	**4,650**
Available for sale:				
Bonds	1,165	428	—	**1,593**
Private debt	—	—	208	**208**
Common shares	1	31	—	**32**
Preferred shares	3	1	10	**14**
Private equity and other	—	—	247	**247**
Total financial assets	**$ 1,425**	**$ 7,210**	**$ 465**	**$ 9,100**
Financial liabilities				
Fair value through profit or loss:				
Derivative liabilities	—	(1)	—	**(1)**
Funds withheld liabilities	—	(12)	—	**(12)**
Total financial liabilities	**$ —**	**$ (13)**	**$ —**	**$ (13)**

AS AT DEC. 31 US$ MILLIONS	2020 Level 1	 Level 2	 Total
Financial assets			
Fair value through profit or loss:			
Bonds	$ —	$ 1,104	**$ 1,104**
Derivative assets	2	5	**7**
Available for sale:			
Bonds	—	65	**65**
Preferred shares	3	—	**3**
Total financial assets	**$ 5**	**$ 1,174**	**$ 1,179**
Financial liabilities			
Fair value through profit or loss:			
Funds withheld liabilities	—	(12)	**(12)**
Total financial liabilities	**$ —**	**$ (12)**	**$ (12)**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset	Valuation Techniques and Key Inputs
Bonds	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Derivative assets/Derivative liabilities	Foreign currency forward contracts—discounted cash flow model—forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Valuation model is based on interest rate contracts—discounted cash flow model—forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.
Warrants	Valuation model is based on intrinsic value calculated by the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
Reinsurance funds withheld	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

The Company performs initial and ongoing analysis and review of the valuation techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the valuation assumptions are reasonable. The Company analyzes and reviews the data, assumptions and valuation model to ensure that the fair value represents a reasonable estimate as at reporting period end and to monitor controls around fair value measurement, which includes quantitative and qualitative analysis and is overseen by the Company's investment and accounting personnel.

Fair values determined using valuation models requiring the use of unobservable inputs (Level 3 financial assets and liabilities) include assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those unobservable inputs, the Company uses observable external market inputs such as interest rate yield curves, currency rates and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement of Level 3 financial instruments:

Type of Asset	**Valuation Techniques**	**Significant Unobservable Inputs**	**Significant unobservable inputs and relationship of unobservable inputs to fair value**
Private equity	Discounted cash flows	• Future cash flows The future cash flows are based on cash flows flowing to the underlying investment • Discount rate The discount rate reflects the inherent risk of the underlying investment	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in discount rate increase (decrease) fair value
Private debt	Discounted cash flows	• Future cash flows The future cash flows include expected interest and principal payments. • Discount rate The discount rate reflects the credit spreads used and the liquidity conditions of the debt instrument.	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in discount rate increase (decrease) fair value

The following table presents the change in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2021 and 2020:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Balance, beginning of year	**$ —**	$ —
Fair value changes in other comprehensive income	**4**	—
Additions	**1,021**	—
Disposals	**(8)**	—
Balance, end of year	**$ 1,017**	**$ —**

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2021 and 2020.

c) Net investment income

Net investment income is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Interest income			
Cash and cash equivalents	**$ 1**	$ —	$ —
FVTPL investments	**51**	28	19
AFS investments	**12**	2	1
Loans and receivables	**5**	—	—
Total interest income	**69**	30	20
Realized gains on investments and derivatives			
FVTPL investments	**3**	3	10
Derivatives	**14**	—	—
AFS investments	**2**	—	—
Foreign exchange gain/loss	**9**	—	—
Total realized gains on investments and derivatives	**28**	3	10
Unrealized gains (losses) on investments and derivatives			
FVTPL investments	**(60)**	46	26
Derivatives	**27**	6	1
Total unrealized gains (losses) on investments and derivatives	**(33)**	52	27
Investment manager fees	**(4)**	(1)	—
Net investment income	**$ 60**	$ 84	$ 57

d) Net investment results from funds withheld

Net investment results from funds withheld is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Interest income			
FVTPL investments	**$ 29**	$ —	$ —
Total interest income attributable to funds withheld	**29**	**—**	**—**
Realized losses on investments and derivatives			
FVTPL investments	**(2)**	—	—
Foreign exchange losses	**(4)**	**—**	**—**
Total realized losses on investments and derivatives attributable to funds withheld	**(6)**	**—**	**—**
Unrealized losses on investments and derivatives			
FVTPL investments	**(19)**	—	—
Foreign exchange losses	**(1)**	**—**	**—**
Total unrealized losses on investments and derivatives attributable to funds withheld	**(20)**	**—**	**—**
Other investment income	**75**	—	—
Net investment results from funds withheld	**$ 78**	**$ —**	**$ —**

e) Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, bond forwards, currency swaps, interest rate swaps and warrants. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments.

Foreign exchange forwards, bond forwards, currency swaps, interest rate swaps and warrants are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default. As at December 31, 2021, the derivative counterparty credit risk was $146 million (2020 – $7 million) and the counterparties credit rating was A- or higher (2020 – A+ or higher).

Notional principal by terms of maturity and the fair value of derivatives are presented in the table below.

AS AT DEC. 31, 2021
US$ MILLIONS

	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount: Within 1 year	1-3 years	4-5 years	Over 5 years	Notional principal
Exchange traded								
Bond futures	$ 9	$ —	$ 22	$ 730	$ —	$ —	$ —	$ 730
Over-the-counter								
Foreign exchange forwards	10	—	1	787	59	—	—	846
Warrants	—	—	—	1	—	—	—	1
Currency swaps	—	—	—	—	10	—	8	18
Interest rate swaps	—	(1)	—	—	—	1	71	72
Options	127	—	—	5,802	—	—	—	5,802
Total	**$ 146**	**$ (1)**	**$ 23**	**$ 7,320**	**$ 69**	**$ 1**	**$ 79**	**$ 7,469**

[1]Derivative liabilities are included in the Note 9 Accounts Payable and Other.

AS AT DEC. 31, 2020
US$ MILLIONS

	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount: Within 1 year	1-3 years	4-5 years	Over 5 years	Notional principal
Exchange traded								
Bond futures	$ 2	$ —	$ 13	$ 192	$ —	$ —	$ —	$ 192
Over-the-counter								
Foreign exchange forwards	5	—	—	235	—	—	—	235
Interest rate swaps	—	—	—	—	—	—	7	7
Total	**$ 7**	**$ —**	**$ 13**	**$ 427**	**$ —**	**$ —**	**$ 7**	**$ 434**

The Company monitors the fair values of bond futures and forwards on a daily basis, with additional cash collateral obtained or refunded as necessary.

Bond futures, foreign exchange forwards and options mature in less than 1 year. Interest rate swaps mature in over 4 years and settle on a semi-annual basis. Derivatives are measured at FVTPL and are reported on the Combined Consolidated Statements of Financial Position as derivative assets or derivative liabilities. The fair value of exchange-traded futures contracts is determined based on Level 1 inputs. OTC foreign currency forwards, bond forwards, currency swaps and interest rate swaps are valued on the contract notional amounts, which is the difference between contract and market rates. These inputs are derived from observable market data and as such are classified as Level 2 instruments.

For OTC derivatives, collateral is collected from and pledged to derivative counterparties according to the Credit Support Annexes, which form part of the International Swaps and Derivatives Associations' master agreements, when the exposure exceeds a specified threshold. For exchange-traded derivatives, their positions are margined on a daily basis (both initial margin and variation margin) subject to derivative clearing agreements with the exchanges and clearing houses. As at December 31, 2021, the Company has pledged $23 million of financial assets as collateral under the terms of the derivative contracts (2020 – $13 million).

For an analysis of the Company’s risks arising from financial instruments and the policies and procedures to manage these risks refer to Note 12 Risk Management.

f) Securities sold under repurchase agreements

Securities sold under repurchase agreements are accounted for as collateralized borrowing transactions, are measured at amortized cost and are recorded at the amounts at which the securities were initially sold. Under these agreements, the Company may sell securities from its portfolio for periods of time. In exchange, the Company obtains possession of cash from the financial institution with market values equal to the principal amount sold under these agreements. As at December 31, 2021, the Company did not have amounts outstanding under repurchase agreements (2020 – $Nil). For the year ended December 31, 2021, interest expense paid related to the use of the repurchase agreements was $Nil (2020 – $Nil).

The cash received by the Company is equal to the market value of the securities sold on the trade date. As a result, there is no significant exposure to credit risk associated with these agreements.

g) Summary of investments

AS AT DEC. 31 US$ MILLIONS	2021 Carrying Amount	2021 Percent	2020 Carrying Amount	2020 Percent
Corporate debt securities				
Corporate bonds	**$ 1,892**	**37 %**	$ 788	66 %
Private debt	**208**	**4 %**	—	— %
Private loans	**517**	**10 %**	—	— %
Mortgages	**122**	**3 %**	—	— %
	2,739	**54 %**	788	66 %
Government bonds				
United States government	**1,271**	**25 %**	25	2 %
Canada government	**61**	**1 %**	35	3 %
Canada provincials	**332**	**7 %**	341	28 %
	1,664	**33 %**	401	33 %
Derivatives				
Foreign exchange forwards	**10**	**— %**	5	— %
Bonds futures	**9**	**— %**	2	— %
Options	**127**	**3 %**	—	— %
	146	**3 %**	7	1 %
Equity				
Preferred shares	**18**	**— %**	3	— %
Common shares	**275**	**5 %**	—	— %
Private equity and other	**247**	**5 %**	**—**	**— %**
	540	**10 %**	**3**	**— %**
Total	**$ 5,089**	**100 %**	$ 1,199	100 %

h) Solely Payments of Principal and Interest ("SPPI") Disclosure

As noted in Note 2 (aj)(ii), the Company has taken the temporary exemption to apply IFRS 9 until IFRS 17 is adopted on January 1, 2023 on the basis that the Company's activities are predominantly connected with insurance, and it has not previously applied IFRS 9. The percentage of the total carrying amount of the liabilities connected with insurance relative to the total carrying amount of all its liabilities was less than or equal to 90 per cent but greater than 80 per cent, and the Company determined that it did not engage in a significant activity unconnected with insurance.

As a consequence of deferring the introduction of IFRS 9, we will provide additional disclosures until we apply the standard for the first time in order to compare our presentation of investments and other financial instruments with those of companies that already apply IFRS 9.

The following additional disclosure, required by IFRS 4 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company's financial assets as of and for the years ended December 31, 2021 and December 31, 2020, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are SPPI on the principal amount outstanding and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("Non-SPPI").

AS AT DEC. 31, 2021 US$ MILLIONS	SPPI Fair value	SPPI Change in fair value	Non-SPPI Fair value	Non-SPPI Change in fair value
Financial assets				
Debt securities	$ 1,884	$ 2	$ 2,023	$ 2
Equities	—	—	397	—
Loans and receivables	639	—	—	—
Total	**$ 2,523**	**$ 2**	**$ 2,420**	**$ 2**

AS AT DEC. 31, 2020 US$ MILLIONS	SPPI Fair value	SPPI Change in fair value	Non-SPPI Fair value	Non-SPPI Change in fair value
Financial assets				
Debt securities	$ 43	$ 1	$ 1,125	$ —
Equities	—	—	3	—
Loans and receivables	21	—	—	—
Total	**$ 64**	**$ 1**	**$ 1,128**	**$ —**

The following additional disclosure, required by IFRS 4 for eligible insurers, presents the credit risk ratings of SPPI financial assets:

AS AT DEC. 31, 2021 US$ MILLIONS	Credit risk	Carrying value (Fair value)	% of fair value
Debt securities			
AAA	Low	$ 113	5 %
AA	Low	19	1 %
A	Low	1,203	48 %
BBB	Low	100	4 %
BB	Other	104	4 %
B	Other	32	1 %
Unrated	Other	313	12 %
Loans and receivables			
A	Low	$ 60	2 %
BBB	Low	36	1 %
BB	Other	152	6 %
Unrated	Other	391	16 %
Total		**$ 2,523**	**100 %**

AS AT DEC. 31, 2020 US$ MILLIONS	Credit risk	Carrying value (Fair value)	% of fair value
Debt securities			
AAA	Low	$ 22	34 %
AA	Low	7	11 %
A	Low	10	16 %
BBB	Low	4	6 %
Loans and receivables			
Unrated	Other	$ 21	33 %
Total		**$ 64**	**100 %**

NOTE 4. ACCOUNTS RECEIVABLE AND OTHER

The Company's accounts receivable and other consist of the following:

AS AT DEC. 31 US$ MILLIONS	2021	2020
Reinsurance receivable	**$ 12**	$ 2
Accrued investment income	**21**	7
Due from related party	**10**	—
Other assets	**4**	4
Total accounts receivable and other	**$ 47**	$ 13

In 2021 and 2020, reinsurance receivable relates to amounts recoverable from third-party reinsurers and cedants. All amounts are expected to be settled within a year.

NOTE 5. PROPERTY AND EQUIPMENT

The Company’s property and equipment consists primarily of a ROU asset. As at December 31, 2021 the property and equipment balance was $2 million (2020 - $2 million). The additions, amortization and disposals to property and equipment during 2021 were $Nil (2020 - $1 million, $Nil, $Nil).

NOTE 6. INTANGIBLE ASSETS

In 2021, the Company recognized $3 million of computer software as intangible assets, which are not yet available for use as at December 31, 2021. Intangible assets not yet available for use are assessed for impairment irrespective of whether there is any indication of impairment. For the year ended December 31, 2021, the Company did not incur an impairment expense (2020 – $Nil).

NOTE 7. DEFERRED ACQUISITION COSTS

The following table presents movement in deferred acquisition costs and the impact on expenses:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020
Deferred acquisition costs, beginning of year	**$ —**	$ —
Costs capitalized under reinsurance contracts	**775**	—
Amortization and other	**1**	—
Deferred acquisition costs, end of year	**$ 776**	**$ —**

NOTE 8. EQUITY ACCOUNTED INVESTMENTS

The following table presents the change in the Company's investments in associates during the year:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	
Balance, beginning of year	$ —
Additions	294
Share of net income	8
Share of comprehensive income	44
Dividends received	(2)
Balance, end of year	**$ 344**

The addition of $294 million during the year relates to the Company's equity accounted investment in AEL Holdings. AEL Holdings, through its wholly-owned subsidiaries, is a leading issuer of fixed index annuities through independent agents, banks and broker-dealers in the United States with its corporate headquarters in Des Moines, Iowa.

The Company originally acquired a 9.5% interest in AEL Holdings at the time of Spin-Off and the investment was treated as a financial asset. During the third quarter, as a result of a firm commitment to enter into the reinsurance agreement with American Equity Investment Life Insurance Company ("AEILIC"), a subsidiary of AEL Holdings, management concluded that they had significant influence over AEL Holdings, and as such, derecognized the financial asset and recorded an equity accounted investment. As at December 31, 2021 the Company's ownership interest was 9.8% as a result of common share repurchases and cancellations completed by AEL Holdings during the period.

The Company accounts for AEL Holdings using the equity method of accounting by recognizing its share of income and OCI from its 9.8% ownership interest in the equity accounted investment one quarter in arrears, which is the most up to date information available to the Company. AEL Holdings does not present a classified balance sheet. The summarized financial information below represents amounts in AEL Holdings' financial statements, adjusted by the Company for equity accounting purposes:

AS AT AND FOR THE SIX MONTHS ENDED SEP. 30, 2021 US$ MILLIONS		
Total assets	$	78,318
Total liabilities		71,943
Accumulated other comprehensive income		1,957
Other stockholders' equity		4,418
Total revenues		1,618
Total expenses		(1,491)
Income tax expense		(29)
Preferred stock dividends		(22)
Net income		76
Other comprehensive income		452

AEL Holding''s shares are traded on the New York Stock Exchange. The fair value of the Company's shares in AEL Holdings is $354 million based on the quoted price as at December 31, 2021. The Company received $2 million of dividends from AEL Holdings during the year.

NOTE 9. ACCOUNTS PAYABLE AND OTHER

The Company’s accounts payable and other consist of the following:

AS AT DEC. 31 US$ MILLIONS		**2021**		2020
Accounts payable and accrued liabilities	**$**	**57**	$	4
Derivative liabilities		**1**		—
Other		**7**		2
Total accounts payable and other	**$**	**65**	$	6

NOTE 10. INSURANCE RESERVES

The Company’s insurance reserves are as follows:

AS AT DEC. 31 US$ MILLIONS		**2021**		2020
Gross	**$**	**8,497**	$	1,339
Reinsurance assets		**(169)**		(190)
Total insurance reserves	**$**	**8,328**	$	1,149

Reinsurance assets reflect immediate and deferred annuity payments ceded under the longevity reinsurance and quota share reinsurance arrangements.

a. Nature and composition

Reinsurance

NER SPC's insurance reserves represent Fixed Indexed Annuity ("FIA") contracts that provide contract owners the possibility of earning returns linked to the performance of a specified market index, predominantly the S&P 500 Index, while providing principal protection. The contracts include a provision for a minimum guaranteed surrender value in accordance with applicable law. The products allow policyholders to allocate funds periodically among several different crediting strategies, including index-based strategies and a traditional fixed rate strategy. High surrender charges apply for early withdrawal.

The policyholder account value of the FIA is equal to the sum of deposit paid, premium bonus, and index credits based in the relevant market index (subject to cap, spread and/or participation rate which can typically be reset) less any fees for riders and any withdrawals taken to-date.

NER Ltd.'s insurance reserves represent multi-year guaranteed annuity contracts that provide owners a guaranteed rate of return. Premiums and credited interest are protected from market volatility, which provides long-term financial security and predictability for policyholders.

PRT

The insurance reserves represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not reached pensionable age. The Company's insurance contracts are a mixture of group annuity "buy-in" policies, where the policyholder is the pension fund, and group annuity "buy-out" policies, where the policyholder is the administrator. The Company provides group annuity policies across Canada.

b. Valuation assumptions

Reinsurance

NER SPC's insurance reserves are based on actuarial assumptions related to the underlying policies' terms, lives of the policies, duration of the contract, yield on investments supporting the liabilities, level of expenses. Significant assumptions also include policyholder behavior assumptions, such as surrender, lapse, withdrawal rates. NER SPC uses a combination of actual and industry experience when setting and updating policyholder behavior assumptions. Assumptions are at best estimate with margins for adverse deviation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

NER Ltd.'s insurance reserves have no actuarial assumptions as the reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

PRT

The insurance reserves represent the present value of the future annuity payments and expenses measured in accordance with the CALM described in Note 2 Summary of significant accounting policies, section (r) Insurance Reserves. It incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation, and inflation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

The principal valuation assumptions and the methods for arriving at these valuation assumptions are outlined below.

Longevity

Mortality assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors including, but not limited to, gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data comprises of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

Mortality improvement assumptions follow the prescribed mortality improvement scales issued by the CIA.

Investment returns

Projected cash flows from the current assets and liabilities are used in CALM to determine insurance reserves. Assumptions are made regarding rates of returns on supporting assets. Projected cash flows from assets used in the actuarial calculations are reduced to provide for potential asset default losses. The calculation for future credit losses on assets is based on the credit quality underlying the asset portfolio.

Other assumptions

The internal costs of maintaining the insurance reserves, the fees paid to third-party administrators engaged to manage payments under the in-force policies, and fees due to reinsurers and investment management expenses, as well as inflation are factored into the calculation of the insurance reserves where applicable.

c. Net change in insurance reserves

The following table summarizes the movement between insurance reserves for the years ended December 31, 2021 and 2020 by its major components:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	**Gross reserve**	**Reinsurance assets**	**Net**
Beginning of year	$ 1,339	$ 190	**$ 1,149**
Changes during the year			
New business	7,180	—	**7,180**
Normal changes	(310)	(20)	**(290)**
Management actions and changes in assumptions	282	(2)	**284**
	7,152	(22)	**7,174**
Impact of foreign exchange[1]	6	1	**5**
Balance at end of year	**$ 8,497**	**$ 169**	**$ 8,328**

FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	**Gross reserve**	**Reinsurance assets**	**Net**
Beginning of year	$ 856	$ 197	**$ 659**
Changes during the year			
New business	414	—	**414**
Normal changes	67	(9)	**76**
Management actions and changes in assumptions	(24)	(2)	**(22)**
	457	(11)	**468**
Impact of foreign exchange[1]	26	4	**22**
Balance at end of year	**$ 1,339**	**$ 190**	**$ 1,149**

1. Foreign currency translation reported as a separate component of other comprehensive income. See Note 2(ac) Foreign currencies

Under fair value accounting adopted by RPT business, movement in the fair value of the supporting assets is a major factor in the movement of insurance reserves. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance reserves associated with the change in the value of the supporting assets is included within normal changes above. The insurance reserve from reinsurance activities is not sensitive to the fair value of the supporting assets under US GAAP reserve methodology.

In 2021, the gross reserves consist of $2.2 billion from BAC, $1.6 billion from NER Ltd. and $4.7 billion from NER SPC. The main contributors to the increase in net insurance reserves were the impact of new business of $$7.2 billion partially offset by reinsurance transactions of $22 million. Management actions and changes in assumptions increased reserves by $284 million. The increase was primarily due to revisions to expense assumptions to reflect the most recent experience analysis, offset by revisions to interest rate risk assumptions and the execution of longevity swaps.

On October 8, 2021, NER SPC closed a retrocession agreement with an effective date of July 1, 2021 with an insurance company which was the Company's associate. At the effective date, NER SPC assumed embedded derivative insurance reserves in the amount of $193 million which subsequently increased to $204 million at December 31, 2021.

In 2020, the entire gross reserve related to BAC. The main contributors to the increase in net insurance contract liabilities were the impact of new business of $414 million and the impact of normal changes of $76 million. Management actions and changes in assumptions lowered the reserves by $22 million. The decrease was primarily due to modelling enhancements related to the reinvestment assumption and asset cash flows.

The Company’s risks arising from insurance contract liabilities are principally interest rate and longevity. The policies and procedures to manage these risks and sensitivity analysis are described in Note 12 Risk Management.

d. Reinsurance ceded results

Any gains or losses on reinsurance transactions are recognized in income on inception of the transactions and are included in change in insurance contract liabilities ceded in the Combined Consolidated Statements of Operations. In December 2020, BAC entered into two longevity reinsurance transactions which resulted in after-tax losses on inception of approximately $1 million. In December 2021, BAC entered into another longevity reinsurance transaction which resulted in an after-tax loss on inception of approximately $1 million.

As at December 31, 2021, BAC’s total expected fixed payments and actual costs of benefit expenses to be reimbursed under longevity reinsurance transactions used in valuing reinsurance assets were $1.1 billion and $1.1 billion (2020 - $493 million and $483 million) respectively. The difference between fixed payments and actual costs on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations.

Reinsurance fees in respect of longevity reinsurance arrangements are recognized when due to reinsurers and are included in premiums ceded in the Combined Consolidated Statements of Operations:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Reinsurance fees in respect of longevity reinsurance arrangements	**$ 1**	$ —

NOTE 11. SHARE CAPITAL

The Company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $39.74 per share;
ii. 500,000 Class B Limited Voting Shares with a par value of $39.74 per share;
iii. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;
iv. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;
v. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;
vi. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;
vii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the Company as at December 31, 2021 and December 31, 2020 comprises the following:

	December 31, 2021		**December 31, 2020**	
	Number of shares	Value	Number of shares	Value
Issued				
Class A exchangeable shares	10,877,989	$ 535	—	$ —
Class B shares	24,000	1	—	—
Class C shares	23,544,548	963	—	—
Share capital		**$ 1,499**		**$ —**

NOTE 12. RISK MANAGEMENT

The management of risk is central to the success of the business. The Company seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in business processes.

The Board has overall responsibility for the management of risk and is supported through formal committees of the Board including the Risk Committee.

The Company manages risk by applying the principles and guidelines outlined in the enterprise risk management framework presented to the BAM Re Board (the "ERM Framework"). The ERM Framework establishes the overall risk management framework that includes the following:

• Risk inventory – identifies and defines the risks arising from the Company's business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;

• Risk appetite – determines the nature and amount of risk the Company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;

• Risk governance – establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the Company; and

• Risk management process – codifies a consistent approach to the identification, assessment, measurement, control, monitoring and reporting of risks faced by the Company.

As part of the risk governance framework, the Company operates a three lines of defense model. Under this model, the accountabilities of each line of defense are:

- First line – business management: day to day responsibility for managing and identifying risks, ensuring activities are within risk appetite and established policies, and designing and implementing effective internal controls;

- Second line – risk management function: establish enterprise governance, risk and control strategies and policies; provide oversight and independent effective challenge to the first line, as well as training, tools and advice; and

- Third line – internal audit: independently verify the adequacy and effectiveness of the first and second lines of defense, and that the enterprise risk management framework is operating effectively.

An Own Risk and Solvency Assessment ("ORSA") is undertaken by BAC at least annually. The ORSA involves a comprehensive assessment of the Company's risks, capital needs and solvency position, as well as solvency forecasting across a range of scenarios including plausible stresses that could jeopardize the Company's business plans. BAC also evaluates its exposure to sustained adverse scenarios through other stress testing techniques such as the Financial Condition Testing ("FCT").

A Commercial Insurers' Solvency Self-Assessment ("CISSA") is undertaken by NER Ltd. at least annually. The primary purpose of the CISSA exercise is to allow NER Ltd. to incorporate an analysis of the internal capital needs into the risk management frameworks. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term, including factoring in the impact of catastrophic shocks. The CISSA framework provides a perspective of the capital resources necessary to achieve NER Ltd.'s business strategies and remain solvent given their risk profile, as well as insight into the risk management and governance procedures surrounding these processes.

The Company has established recurring routines for monitoring and reporting on risks. Risk management reports are provided to management on a monthly basis and to the Board and Risk Committee on a quarterly basis. The reports include risk exposures measured against Board-approved risk appetite tolerances, and where relevant, management actions are identified to ensure risk mitigation and controls are effective.

The principal risk factors that affect the Company's operations and financial condition include financial risks such as market risk, credit risk and liquidity risk, insurance risk and other risks such as regulatory risk and operational risk.

The following sections describe the primary financial risks and associated risk management strategies in place that affect the Company's operations and financial condition.

a. Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, or credit spreads.

The Company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and by holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures.

Financial instruments held by the Company that are subject to market risk include other financial assets, borrowings and derivative instruments.

1. *Interest rate risk*

The Company manages interest rate risk through an asset liability management ("ALM") framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance contract liabilities. Within the context of the ALM framework, the Company uses derivatives including interest rate swaps and bond futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

The Investment Policy outlines the duration constraints that have been approved by the Board. In operationalizing these constraints, considerably more confining duration-based targets have been established that are closely monitored and reported to management in monthly business updating meeting and to the Board and Risk Committees on a quarterly basis.

The following table shows the sensitivity to changes in interest rates:

	2021		2020	
AS AT DEC. 31 US$ MILLIONS	**50 bps increase**	**50 bps decrease**	50 bps increase	50 bps decrease
Movement in liabilities	**$ 103**	**$ (105)**	$ 63	$ (63)
Movement in assets	**(248)**	**329**	(62)	62
Tax effect	**(4)**	**4**	—	—
Impact on comprehensive income	**$ (149)**	**$ 228**	$ 1	$ (1)

The Investment Policy is reviewed at least annually and approved by the Board.

2. *Foreign exchange risk*

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the USD.

The Company manages foreign exchange risk using foreign exchange forwards. The Investment Policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

The Company holds financial instruments with net unmatched exposures in several currencies, changes in the translated value of which are recorded in net income. As at December 31, 2021, a 1% fluctuation in USD against non-USD currencies would have an impact of approximately $1 million on net income and $1 million on OCI (2020 – $Nil million on net income and $Nil on OCI).

b. Credit risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The Company is primarily exposed to credit risk through its investments in debt securities and reinsurance funds withheld.

The Company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy.

1. *Asset quality*

The following table summarizes the external credit ratings for cash and cash equivalents and investments:

AS AT DEC. 31, US$ MILLIONS	2021		2020	
Cash and cash equivalents	**$ 393**	**4 %**	$ 35	3 %
Bonds and other debt securities				
AAA	512	5 %	409	33 %
AA	55	1 %	11	1 %
A	1,516	15 %	121	10 %
BBB	1,306	13 %	617	50 %
BB	151	1 %	10	1 %
B	54	— %	1	— %
Unrated	170	2 %	—	— %
	3,764	**37 %**	1,169	95 %
Preferred shares				
P2	7	— %	3	— %
BB	1	— %	—	— %
Unrated	10	— %	—	— %
	18	**— %**	3	— %
Common shares				
A+	243	2 %	—	— %
Unrated	32	**— %**	—	— %
	275	**2 %**	—	— %
Other equity				
Unrated	**247**	**2 %**	—	— %
Private loans				
A	60	1 %	—	— %
BBB	55	1 %	—	— %
BB	151	2 %	—	— %
Unrated	251	3 %	—	— %
	517	**7 %**	—	— %
Mortgages				
Unrated	122	1 %	21	2 %
	122	**1 %**	21	2 %
Reinsurance Funds Withheld				
AAA	819	8 %	—	— %
AA	228	2 %	—	— %
A	891	9 %	—	— %
BBB	2,484	26 %	—	— %
BB	105	1 %	—	— %
B	30	— %	—	— %
Unrated	93	1 %	—	— %
	4,650	**47 %**	—	— %
Total cash and cash equivalents and investments	**$ 9,986**	**100 %**	$ 1,229	100 %

The Company's overall target credit quality for the portfolio is a credit rating of BBB+. As at December 31, 2021 and 2020, the Company met this requirement.

2. *Concentration*

Concentrations of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics.

Bonds

The following table provides the fair value of investments by groups of issuers of bonds:

	2021		2020	
Government bond holdings	$ 1,664	47 %	$ 401	34 %
Corporate and other bond holdings	1,892	53 %	768	66 %
Total bond holdings	**$ 3,556**	**100 %**	$ 1,169	100 %

The following table discloses the Company's top 5 holdings of issuers (excluding governments), as well as exposure to the largest single issuer of corporate bonds.

	2021	2020
Exposure to the top 5 largest issuers of corporate bonds	**$ 161**	$ 90
% of total cash and cash equivalents and investments	**3 %**	7 %
Exposure to the largest single issuer of corporate bonds	**32**	18
% of total cash and cash equivalents and investments	**1 %**	2 %

3. *Derivative counterparties*

Credit risk also arises in respect of derivative contracts to the extent that there is the potential for the counterparties to default on their obligations. To manage this risk, derivative transactions are limited to an approved list of counterparties and in some cases are fully collateralized with highly rated instruments. The derivative counterparty risk as of December 31, 2021 and 2020 was $146 million and $7 million, respectively. As at December 31, 2021, these counterparties have a credit rating of A or higher (2020 - A+ or higher).

4. *Reinsurance counterparties*

BAC has reinsurance contracts with third-party registered reinsurers and one third-party unregistered reinsurer with a total exposure of $169 million at December 31, 2021 (2020 – $190 million). To manage counterparty risk, reinsurance transactions are limited to an approved list of reinsurers with concentration limits to any single reinsurer.

Under the reinsurance contracts with third-party unregistered reinsurers, highly rated assets are required to be pledged to the Company to fully support the ceded reserves. The Company maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, the Company has the right to liquidate or take legal possession of these assets, in a timely manner.

As at December 31, 2021, the credit ratings of the reinsurers are A+ (2020 - A+).

NER Ltd. and NER SPC have reinsurance contracts with third-party cedants with a total exposure of $6,253 million at December 31, 2021 (2020 – $Nil).

As at December 31, 2021, the credit ratings of the third-party cedants are A- or higher.

5. *Impaired Assets*

The Company reviews all reinsurance assets at each reporting date and determined that there was no evidence of impairment as at December 31, 2021 and 2020.

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

Cash outflows primarily consist of benefit payments to policyholders and to a lesser extent, operating expenses and settlement of derivative contracts.

The following table sets out the expected maturity profile of the Company's financial liabilities:

AS AT DEC.31, 2021 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Accounts payable and other	$ 65	$ —	$ —	$ —	**$ 65**
Due to related party	467	—	—	—	**467**
Reinsurance payable	21	14	15	25	**75**
Corporate borrowings	656	37	—	—	**693**
Insurance reserves	368	769	792	6,568	**8,497**
Deferred revenue	4	7	7	64	**82**
Liabilities of structured entities	—	—	—	167	**167**
Funds withheld liabilities	12	—	—	—	**12**
Total	**$ 1,593**	**$ 827**	**$ 814**	**$ 6,824**	**$ 10,058**

AS AT DEC.31, 2020 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Accounts payable and other	$ 5	$ 1	$ —	$ —	**$ 6**
Insurance reserves	21	85	85	1,148	**1,339**
Funds withheld liabilities	12	—	—	—	**12**
Total	**$ 38**	**$ 86**	**$ 85**	**$ 1,148**	**$ 1,357**

To manage liquidity risk, the Company as part of its ALM framework, purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to closely match those of the annuity policy liabilities. The Company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

In addition, the company has a credit agreement with Brookfield Asset Management as lender, providing for a three-year $200 million revolving credit facility, and an agreement for a $150 million third-party revolving credit facility. As at December 31, 2021 there was $nil drawn on the Brookfield Credit Agreement (December 31, 2020 – $Nil), and $37 million drawn on the third-party revolving credit facility (December 31, 2020 – $Nil).

In addition, a subsidiary of the the Company has access to a CAD$150 million repurchase agreement (2020 - CAD$150 million). As at December 31, 2021, there were no amounts outstanding under the repurchase agreement (2020 – $Nil).

d. Insurance risk

PRT

Insurance risk is the risk that actual experience related to benefit payments and expenses does not emerge as expected. The Company is primarily exposed to longevity risk.

Longevity risk is the risk that mortality experience occurs at lower rates than that assumed at the time of pricing which exposes the Company to benefit payments that will be paid for longer periods than anticipated.

Longevity assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors established at the time of pricing. These factors take into consideration the characteristics of the annuitants including but not limited to gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data is comprised of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

These inputs and analytics support the Company's assessment of longevity risk.

To reduce longevity risk within our PRT business, the Company enters into longevity reinsurance transactions with third party reinsurers. Under these contracts, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to the Company. As at December 31, 2021, the Company has entered into longevity reinsurance contracts and has reinsured approximately 71% of its longevity risk (2020 – 54%).

The following table shows the sensitivity to changes in longevity risk. These sensitivities reflect the impact of any applicable ceded reinsurance arrangements.

AS AT DEC. 31, 2021 US$ MILLIONS	Mortality Rate 5% Increase	 5% Decrease	Mortality Improvement 50% Increase	 50% Decrease
Impact on comprehensive income	**$ 10**	**$ (9)**	**$ (12)**	**$ 13**

AS AT DEC. 31, 2020 US$ MILLIONS	Mortality Rate 5% Increase	 5% Decrease	Mortality Improvement 50% Increase	 50% Decrease
Impact on comprehensive income	**$ 6**	**$ (6)**	**$ (8)**	**$ 8**

Reinsurance

NER SPC reinsures fixed indexed annuity products only. Generally, the assumptions that are the most sensitive for fixed indexed annuity products are changes to investment yields, utilization rates, partial withdrawal rates, lapse rates and mortality. However, our reserves are less sensitive to changes in assumption at this point in time considering the mechanics of our reserving process.

At treaty inception, projected base contract cash flows are bifurcated into two parts: a host liability that reserves for contractually guaranteed payments and an embedded derivative that represents the value of payments in excess of guarantees; for the current treaty, the host liability makes up the vast majority of the reserve liability. The host liability after inception is calculated using an effective yield approach based on a host accrual rate that equates the present value of actual and projected future guaranteed benefit payments to the initial host liability. The host accrual rate is revised as experience emerges, actual cash flows replace projected, and best estimate assumptions about the future are updated. Given this financial year end is only six months following treaty inception, the impact of rolling forward at a different accrual rate recalibrated from changing assumptions is minimized by the short period.

Investment yield risk is a shift in market interest rates associated with investment fixed income instruments. The embedded derivative, measured at fair value, is most sensitive to investment yields as this directly affects its discount rate.

The following table shows the impact on the overall liability to changes in mortality (as described in PRT sensitivity) and changes to investment yields:

	Mortality Rate		Yield	
AS AT DEC. 31, 2021 US$ MILLIONS	10% Increase	10% Decrease	50 bps Increase	50 bps Decrease
Impact on comprehensive income	**$ (1)**	**$ 1**	**$ (11)**	**$ 12**

e. Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

The Company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board.

Disaster recovery and business continuity plans have also been established to manage the Company's ability to operate under adverse conditions.

f. Regulatory risk

Regulatory risk stems principally from the risk of changes to the regulatory environment in which the Company operates. To manage this risk, the Company seeks to a have a regular dialogue with regulators to ensure compliance. Furthermore, senior management participates in industry groups and professional bodies to stay apprised of regulatory changes.

NOTE 13. CORPORATE BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by global banks. The total available amount on the credit facilities is $150 million. The credit facilities are available in U.S. and Canadian dollars and advances under the credit facilities bear interest at the specified LIBOR, CDOR, or bankers' acceptance rate plus a spread. The credit facilities have a maturity date of June 28, 2024. As at December 31, 2021, $37 million was drawn on the bilateral credit facilities.

In addition, the Company has a 364-day revolving credit facility for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at December 31, 2021, $656 million was drawn.

The facilities require the Company to maintain a minimum net worth covenant. At at December 31, 2021, the Company was in compliance with its financial covenants.

The Company also has a revolving credit facility with Brookfield Asset Management, as described in Note 1(b)(v) that as at December 31, 2021 permitted borrowings of up to $200 million. As at December 31, 2021, there were no amounts drawn on the facility.

NOTE 14. OPERATING EXPENSES

Operating expenses include the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Salaries and benefits expense	**$ 10**	$ 3	$ 3
Professional services	**18**	2	2
Software	**2**	1	1
Sales and capital taxes	**1**	—	—
Licenses and fees	**1**	—	—
Other	**3**	—	—
Total operating expenses	**$ 35**	$ 6	$ 6

NOTE 15. INCOME TAXES

Income taxes are recognized for the amount of taxes payable by the Company's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The Company's income tax expense is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Current tax:			
Current tax on profits for the year	**$ —**	$ 1	$ —
Adjustments in respect of prior years	**—**	—	$ —
Total current tax expenses	**—**	1	—
Deferred tax:			
Origination and reversal of temporary differences	**2**	—	—
Total deferred tax expenses	**2**	—	—
Total income tax expense	**$ 2**	$ 1	**$ —**

The below reconciliation has been prepared using a statutory income tax rate for jurisdictions where the Company's subsidiaries operate.

The Company's income tax expense is reconciled as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income before income tax	**$ (42)**	$ 2	$ 6
Income tax at statutory tax rate	**(11)**	1	2
Tax effect of:			
International operations subject to different tax rates	**13**	—	—
Derecognition (Recognition) of deferred tax assets	**—**	—	(2)
Total income tax expense	**$ 2**	$ 1	$ —

The Company's effective tax rate is different from the Company's statutory income tax rate due to the following differences set out below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Statutory income tax rate	**26.5%**	26.5%	26.5%
Increase (reduction) in rate resulting from:			
International operations subject to different tax rates	**(30.9)%**	15.9 %	— %
Derecognition (recognition) of deferred tax assets	**— %**	— %	(24.7)%
Other	**— %**	(13.0)%	0.7 %
Effective income tax rate	**(4.4)%**	29.4 %	2.5 %

The gross movement on the deferred tax asset is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020
Deferred tax asset, beginning of year	$ —	$ —
Tax booked to income statement	**(2)**	—
Tax booked to balance sheet	**2**	—
Tax booked to equity	**20**	—
Deferred tax assets, end of year	**$ 20**	**$ —**

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Non-capital loss carryforwards	**$ 18**	$ —
Tax credit carryforwards	**2**	—
Deferred tax asset	**$ 20**	**$ —**

Deferred tax asset recognized relates to non-temporary differences relating to non-capital loss carryforwards and tax credit carryforwards. The Company evaluates the deferred tax asset based on, amongst other factors, historical operating results, expectation of future profitability, and the duration of the applicable statutory carryforward periods for tax attributes. Based on the evaluation of the deferred tax assets as of December 31, 2021, the Company determined that the deferred tax assets would be realized within the applicable statutory carryforward period.

NOTE 16. EARNINGS PER SHARE

Basic and diluted earnings per class C share for the year ended December 31, 2021 have been calculated using the weighted average number of class C shares outstanding of 19,903,823, and represent the class C shares outstanding for the period of June 28, 2021 to December 31, 2021.

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS		**2021**
Net loss for the year	$	(44)
Attributable to:		
Brookfield Asset Management Inc.		5
Class A exchangeable and Class B shareholders		3
Class C shareholders		(52)
Earnings per share per class C share - basic and diluted	**$**	**(2.58)**

NOTE 17. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties.

a) Spin-off related transactions

On April 13, 2021 Brookfield US Holdings Inc. ("BUSHI"), a wholly-owned-subsidiary of Brookfield Asset Management, loaned $10 million to BAM Re Holdings as a non-interest bearing USD denominated demand note. The amount was fully repaid upon completion of the spin-off.

On June 18, 2021, Burgundy Acquisitions I Ltd. (“Burgundy”), a wholly-owned subsidiary of Brookfield Asset Management, sold its 9.1 million common shares of AEL Holdings to NER SPC for fair market value of $291 million.

On June 18, 2021, Brookfield Annuity Holdings Inc. (“BAH”) sold its ordinary shares of NER SPC to BAM Re Holdings for fair market value consideration of $5 million. The transaction represents a common control transaction and is recorded at NER SPC’s historical carrying value, net of amounts due to related parties, of $5 million. Subsequently, BAH declared and executed a $5 million return of capital on its common shares to Brookfield Asset Management.

On June 18, 2021, BAM Re loaned $25 million to Brookfield International Holdings Inc. (“BIHI”), a wholly-owned subsidiary of Brookfield Asset Management, in exchange for the issuance by BIHI of a demand note in the amount of $25 million.

On June 18, 2021, Brookfield Asset Management advanced cash of $30 million via a non-interest bearing, USD denominated promissory note to the Company. This amount was fully repaid with proceeds of the Spin-off.

On June 24, 2021, Brookfield Asset Management transferred $151 million to the Company in exchange for 3,582,510 BAM Re Class C Non-Voting Shares.

On June 24, 2021, the Company acquired all of the issued and outstanding shares of BAH from its sole shareholder, Brookfield Asset Management, for total consideration of $111 million. The transaction represents a common control transaction and is recorded at BAH’s historical carrying value, net of amounts due to related parties, of $110 million.

On June 24, 2021, Brookfield Asset Management sold its limited partnership and general partnership interest in Brookfield Reinsurance Investments L.P. (“BRILP”) to BAM Re Holdings for cash consideration of $40 million. The transaction represents a common control transaction and is recorded at BRILP’s historical carrying value, net of amounts due to related parties, of $43 million.

b) BAM Re agreements

As described in Note 1(b)(iv), Brookfield Asset Management provided to the Company an equity commitment in the amount of $2 billion to fund future growth, which the Company may draw on from time to time. As of December 31, 2021, there was no amount drawn under the equity commitment.

As described in Note 1(b)(v), as of December 31, 2021, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

As described in Note 1(b)(vi), the Company entered into the Support Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil .

As described in Note 1(b)(vii), the Company entered into the Rights Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil .

As described in Note 1(b)(viii), the Company entered into the Administration Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $0.4 million.

As described in Note 1(b)(ix), the Company entered into an Investment Management Agreement with Brookfield Asset Management on June 28, 2021. The base investment management fee for the year ended December 31, 2021 was $4.1 million.

As described in Note 1(b)(x), the Company entered into the Brookfield Licensing Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil.

c) Other related party transactions

On March 10, 2020, BAC entered into a lease arrangement with Brookfield Properties (Canada) Inc. (“BPO”), a related party of Brookfield Asset Management. The lease arrangement was conducted in the normal course of operations and on market terms. The amount paid to BPO for the leased office facilities and building maintenance for the year ended December 31, 2021 totaled $0.4 million (December 31, 2020 - $0.2 million). As at December 31, 2021, lease liabilities relating to this arrangement were $1 million.

BAC entered into outsourcing arrangements with Brookfield Asset Management related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to Brookfield Asset Management for these services for the year ended December 31, 2021 totaled $0.3 million (December 31, 2020 – $0.4 million). Amounts due to Brookfield Asset Management related to outsourcing arrangements at December 31, 2021 totaled $0.5 million (2020 – $Nil).

During the year, BAC issued group annuity policies of $5 million with certain of Brookfield Asset Management's subsidiaries and collected all the premiums. Premiums, gross benefits and insurance contract liabilities with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

On March 29, 2021, the Company’s parent, BAM, transferred $79 million of deductions related to Part VI.1 tax at a cost of $0.99 per $1.00 of tax savings. The total value of tax deductions acquired was $20 million dollars. In exchange, the Company paid cash of $20 million.

During the year, subsidiaries of the Company purchased investments of $0.9 billion from Brookfield Asset Management and its subsidiaries, from which net investment income of $5 million was recognized in the Combined Consolidated Statements of Operations. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

On October 8, 2021, BIHI provided a $377 million interest-bearing loan to NER SPC. NER SPC used the loan to finance the excess reserve capital associated with the reinsurance transaction that closed in October. The loan is expected to be repaid with third-party financing arrangements within the next year.

The Company had $64 million of cash on deposit with wholly-owned subsidiaries of Brookfield Asset Management as at December 31, 2021. During the year, the Company drew on approximately $742 million of the deposit to fund new reinsurance and PRT transactions, as well as various investments.

NOTE 18. SEGMENT REPORTING

Effective in the fourth quarter of 2021, the Company's operations are organized into two operating segments: Reinsurance and PRT. These segments are regularly reviewed by the CODM for the purpose of allocating resources to the segment and to assess its performance. Prior to this, operations were attributable to one segment: Insurance. During the fourth quarter, management entered into significant reinsurance arrangements and thus, reporting to the CODM was changed. The prior year results have been restated to reflect this change.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("Distributable Operating Earnings", or "DOE").

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, income taxes, income from equity accounted investments, mark-to-market on hedging items, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. DOE allows the CODM to evaluate the Company’s segments on the basis of return on invested capital generated by its operations and allows the Company to evaluate the performance of its segments

The tables below provide each segment’s results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE YEAR ENDED DEC. 31, 2021 US$ MILLIONS	Reinsurance[1]	Pension Risk Transfer[2]	**Total**
Net premiums	$ 6,190	$ 1,016	**$ 7,206**
Interest revenue	2	55	**57**
Other net investment income, including funds withheld	125	(56)	**69**
Segment revenues	6,317	1,015	**7,332**
Proportionate share of equity accounted investment adjusted earnings	8	—	**8**
Benefits paid on insurance contracts, net	(220)	(72)	**(292)**
Changes in insurance reserves, net	(6,060)	(920)	**(6,980)**
Other reinsurance expenses	(19)	—	**(19)**
Operating expenses excluding transactions costs	(6)	(12)	**(18)**
Interest expense	(7)	—	**(7)**
Segment DOE	**13**	**11**	**24**
Corporate expenses			**(8)**
Income tax expense			**(2)**
Transaction costs			**(8)**
Net hedging expenses			**(59)**
Other activities			**9**
Net loss			**$ (44)**

1. Net premiums in our Reinsurance segment are attributed to insurance contracts assumed from other companies.
2. Net premiums in our PRT segment include $1 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer[1]	**Total**
Net premiums	$ —	$ 430	**$ 430**
Interest revenue		30	**30**
Other net investment income, including funds withheld	—	54	**54**
Segment revenues	—	514	**514**
Benefits paid on insurance contracts, net	—	(39)	**(39)**
Changes in insurance reserves, net	—	(468)	**(468)**
Other reinsurance expenses	—	—	**—**
Operating expenses excluding transactions costs	—	(6)	**(6)**
Segment DOE			**1**
Net income			**$ 1**

1. Net premiums in our PRT segment include $1 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31, 2019 US$ MILLIONS	Reinsurance	Pension Risk Transfer[1]	Total
Net premiums	$ —	$ 325	**$ 325**
Interest revenue		20	**20**
Other net investment income, including funds withheld	—	37	**37**
Segment revenues	—	382	**382**
Benefits paid on insurance contracts, net	—	(25)	**(25)**
Changes in insurance reserves, net	—	(345)	**(345)**
Operating expenses excluding transactions costs	—	(6)	**(6)**
Segment DOE			**6**
Net income			**$ 6**

1. Net premiums in our PRT segment include $179 million of insurance contracts ceded to other counterparties.

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers.

Our PRT business is focused on the transfer of pension plan liabilities from corporate sponsors, and all premium revenues recorded for the years ended December 31, 2021, 2020 and 2019 were from Canadian counterparties.

Total premium revenues recorded within our Reinsurance segment for the year ended December 31, 2021 were from transactions with two United States ceding companies and represented 63% and 22% of total premium revenues, respectively.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT DEC. 31, 2021 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets, excluding equity accounted investments	$ 7,577	$ 2,473	$ 1,099	**$ 11,149**
Equity accounted investments	344	—	—	**344**
Liabilities	6,803	2,269	986	**10,058**
Common equity	1,118	204	113	**1,435**

AS AT DEC. 31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets, excluding equity accounted investments	$ —	$ 1,440	$ —	**$ 1,440**
Equity accounted investments	—	—	—	**—**
Liabilities	—	1,357	—	**1,357**
Common equity	—	83	—	**83**

AS AT DEC. 31, 2019 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets, excluding equity accounted investments	$ —	$ 927	$ —	**$ 927**
Equity accounted investments	—	—	—	**—**
Liabilities	—	861	—	**861**
Common equity	—	66	—	**66**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

The geography of the Company's non-current assets are broken down as follows:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020	2019
United States of America	**$ 1,121**	$ —	$ —
Canada	**3**	2	—
Cayman Islands	**1**	—	—
Bermuda	**1**	—	—
Total non-current assets	**$ 1,126**	$ 2	**$ —**

NOTE 19. FINANCIAL COMMITMENT

As at December 31, 2021, subsidiaries of the Company had loan commitment agreements with third parties to the maximum of $463 million exclusive of taxes and other operating expenses (2020 - $15 million). As at December 31, 2021, $81 million was loaned (2020 - $10 million). The amount were recognized as loans and receivables and unrated bonds.

As at December 31, 2021, BAC had undiscounted lease liabilities of $1 million which are within one to three years.

NOTE 20. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company’s growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company’s risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company’s risk appetite and Own Risk and Solvency Assessment (“ORSA”). Furthermore, stress techniques that include the Financial Conditions Testing (“FCT”) are used to evaluate the Company’s capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test (“LICAT”) as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC is required to follow Risk Based Capital (“RBC”) requirements based on guidelines of the National Association of Insurance Commissioners (“NAIC”). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority ("BMA"). The Enhanced Capital Requirement ("ECR") is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The Company has determined that it is in compliance with all the capital requirements as at December 31, 2021 and December 31, 2020.

NOTE 21. SUPPLEMENTARY INSURANCE INFORMATION

The following table presents supplementary information for our two reportable segments:

Reinsurance

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Insurance reserves	**$ 6,254**	$ —	$ —
Deferred acquisition costs	**776**	—	—
Net investment income on reserve assets	**47**	—	—
Benefit expenses	**220**	—	—
Gross premiums	**6,190**	—	—
Amortization of deferred acquisition costs and other	**1**	—	—

Pension Risk Transfer

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Insurance reserves	**$ 2,243**	$ 1,339	$ 856
Reinsurance assets	**169**	190	197
Net investment income on reserve assets	**(3)**	82	56
Benefit expenses	**90**	63	39
Benefit expenses ceded	**(18)**	(25)	(14)
Gross premiums	**1,017**	431	504
Ceded premiums	**(1)**	(1)	(179)

NOTE 22. SUBSEQUENT EVENTS

On January 7, 2022, the Company announced that it has purchased an additional 6,775,000 shares of common stock of AEL Holdings, bringing its total combined equity interest in AEL Holdings to approximately 16%. The Company acquired the additional shares issued from treasury at a price of $37.33 per share, being AEL Holdings's adjusted book value as of September 30, 2021, for total consideration of approximately $253 million.

On March 9, 2022, the Company's credit agreement with Brookfield Asset Management was increased to $400 million. As at the date of these financial statements, there were no amounts drawn on the credit facility

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management's discussion and analysis ("MD&A"), dated as of March 22, 2022, covers the financial position as of December 31, 2021 and December 31, 2020 and the results of operations for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 which are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The information in this MD&A should be read in conjunction with the audited Combined Consolidated Financial Statements ("the financial statements") as of December 31, 2021 and December 31, 2020 and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019.

Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "company" means Brookfield Asset Management Reinsurance Partners Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Asset Management, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Asset Management or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Forward-Looking Information".

Overview of Our Business

Our company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020 under the laws of Bermuda. Our company was established by Brookfield to own and operate a leading reinsurance business focused on providing capital-based and annuity solutions to insurance and reinsurance companies and pension risk transfer products for pension plan sponsors. In doing so, the Company seeks to match long-duration liabilities with a portfolio of high-quality investments in order to generate attractive, risk-adjusted returns within our business. Our relationship with Brookfield provides us with access to a diverse mix of leading alternative investment strategies that we believe are well-suited for this purpose. Our business is presently conducted through our subsidiaries under two operating segments, which we refer to as our reinsurance business and our PRT business. Our reinsurance business currently focuses on annuities-based products. Over time, we may look for opportunities to expand our reinsurance business to cover other longer-duration products such as life insurance and structured settlements.

Reinsurance

Within our reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers operating in North America and Western Europe.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our reinsurance business through licensed operating companies, North End Re (Cayman) SPC ("NER SPC") and North End Re Ltd ("NER Ltd."). On September 3, 2021, NER Ltd. entered into a retrocession agreement with a third party to reinsure a block of U.S. annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the company has the reinsurance contractual obligations. On October 8, 2021, NER SPC closed a reinsurance agreement with a third-party insurance company to reinsure fixed indexed annuities. At the time of closing, the reinsurance agreement had a retrospective effective date of July 1, 2021, representing the date on which the company has the reinsurance contractual obligations. As of December 31, 2021, NER SPC and NER Ltd. had \$4.7 billion and \$1.6 billion of insurance reserves, respectively.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated through Brookfield Annuity Company ("BAC"), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. BAC is led by a team of experts with an average of over 25 years of experience in group annuities, pensions, insurance and investments.

BAC was incorporated in August 2016 as a wholly-owned indirect subsidiary of Brookfield Asset Management and wrote its first group annuity policy in the first quarter of 2017. As of December 31, 2021, BAC had $2.2 billion (C$2.8 billion) of policyholder reserves.

Life Insurance

Although today our business is focused primarily on annuity-based products, in the future we may look to expand our reinsurance business to cover other longer-duration products, including life insurance. Life insurance is a contract between an insurer and the insured person in which the insurer guarantees payment of a death benefit to named beneficiaries in exchange for premiums paid by the insured person. Insurers generate income based upon the income earned on assets invested in connection with the policy, relative to the cost of administration and the death benefit paid.

The following financial data is derived from our audited statements that are prepared in accordance with IFRS. Non-IFRS measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Continuity of Interest

Our company was established on December 10, 2020 by Brookfield Asset Management, and on June 28, 2021 Brookfield Asset Management completed the Spin-off of the company by way of a special dividend to holders of Brookfield Asset Management's Class A and Class B Limited Voting Shares. Prior to the Spin-off, Brookfield Asset Management controlled the portion of our business that was spun off to form our company (the "Business"). The Business transferred in connection with the Spin-off represented common control transactions recorded at historical carrying values. In accordance with the company accounting policy, the company has reflected the Business in its financial position and results of operations using Brookfield Asset Management's carrying value, prior to the Spin-off. To reflect this continuity of interest, the financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield Asset Management. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield Asset Management. For the period after completion of the Spin-off, the results are based on the actual results of the company, including the adjustments associated with the Spin-off and the execution of several agreements. Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield Asset Management prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

Basis of Presentation

The company holds a direct 100% ownership interest in BAM Re Holdings Ltd., which holds the company's interest in its operating subsidiaries. Through its operating subsidiaries, the company provides annuity-based reinsurance products to insurance and reinsurance companies and acts as a direct issuer of PRT products for pension plan sponsors. The principal operating entities of the company generally maintain their own independent management and infrastructure.

Key Financial Data

The following present key financial data of the company:

US$ MILLIONS	**2021**	2020	2019
Gross premiums	**$ 7,207**	$ 431	$ 504
Net (loss) income for the year	**(44)**	1	6
Distributable Operating Earnings[1,2]	**30**	1	6
Net Investment Spread	**0.6%**	0.4%	0.7%
AUM	**9,747**	1,193	702
Excess Capital[1]	**720**	—	—
Net Reserve Capital[1]	**715**	83	66

1.Distributable operating earnings, excess capital, and net reserve capital are Non-IFRS measures. See "Reconciliation of Non-IFRS Measures".
2. Distributable operating earnings for 2021 is inclusive of $6 million relating to activities outside of our two operating segments.

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the Years Ended December 31, 2021, 2020 and 2019

The following table summarizes the financial results of our business for the years ended December 31, 2021, 2020 and 2019.

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Premiums			
Gross	**$ 7,207**	$ 431	$ 504
Ceded	**(1)**	(1)	(179)
Net premiums	**7,206**	430	325
Net investment income, including funds withheld	**138**	84	57
Total revenues	**7,344**	514	382
Income from equity accounted investments	**8**	—	—
Benefits paid on insurance contracts			
Gross	**310**	63	39
Ceded	**(18)**	(25)	(14)
Change in insurance reserves			
Gross	**6,958**	457	538
Ceded	**22**	11	(193)
Other reinsurance expenses	**19**	—	—
Operating expenses	**35**	6	6
Net hedging expenses	**59**	—	—
Interest expense	**9**	—	—
Total benefits and expenses	**7,394**	512	376
Net (loss) income before income taxes	**(42)**	2	6
Current tax expense	**—**	(1)	—
Deferred tax expense	**(2)**	—	—
Net (loss) income for the year	**$ (44)**	$ 1	$ 6

2021 vs. 2020

For the year ended December 31, 2021, we reported a net loss of $44 million, compared to net income of $1 million for the prior year.

Gross premiums increased by $6.8 billion in 2021 relative to the same period in 2020. The increase included $6.2 billion related to the closing of two large-block reinsurance transactions and a higher volume of PRT deals closed as compared to the prior year. During 2021, the company closed 26 PRT deals (2020 - 15), representing $1.1 billion of premiums and approximately 20% of the Canadian PRT market in 2021.

Net investment income including funds withheld increased by $54 million for the year ended December 31, 2021, relative to the same period in 2020. Net investment income comprises of interest and dividends received, as well as realized and unrealized gains and losses on financial instruments. Interest and dividends received increased reflecting the growth in the investment portfolio. Realized gains on investments increased in period as a result of funds withheld income from our first large-block reinsurance transaction.

Equity accounted income in 2021 of $8 million related to the company's investment in the common equity of American Equity Investment Life Holding Company ("AEL Holdings"). The company originally acquired a 9.5% interest in AEL Holdings at the time of Spin-Off and the investment was treated as a financial asset. Post spin-off, as a result of a firm commitment to enter into the reinsurance agreement with American Equity Investment Life Insurance Company ("AEILIC"), we concluded that we had significant influence over AEL Holdings, and as such, derecognized the financial asset and recorded an equity accounted investment.

Gross benefits paid to policyholders increased by $247 million in 2021 due to the new reinsurance transactions and an increase in annuitants in-pay in new PRT business since the prior year period. Ceded benefits represent amounts received from reinsurers. Ceded benefits for the year ended December 31, 2021 decreased by $7 million as a result of the deferred financing associated with the ceding contract.

The gross change in insurance reserves in 2021 increased by $6.5 billion compared to the same period in 2020, primarily due to the two large-block reinsurance transactions closed as noted above, new PRT transactions closed and the impact of market movements.

Other reinsurance expenses increased by $19 million in 2021 due to the reinsurance transactions entered into during the year, resulting in additional reinsurance related expenses settled since the treaty effective dates.

Operating expenses increased by $29 million during 2021 compared to 2020 as a result of additional personnel, professional services and transaction expenses related to the build out of our business. We also recorded unrealized gains and premium cost of the options on our corporate hedging activities as at December 31, 2021 of $59 million. Subsequent to year end, in January 2022, we unwound the hedge positions for a life to date gain on the positions, and the realized gains will be reflected in net income in the first quarter of 2022.

Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the Company's insurance operating companies' investment portfolios or insurance reserves. Net hedging expenses of $59 million in the year relate to costs incurred to entered into corporate hedges and are partially offset by positive mark to market of hedges entered into as at December 31, 2021.

During 2021, DOE increased $29 million from the prior year to $30 million. We deployed $5 billion of the assets received on the closing of the reinsurance and PRT transactions and expect Distributable Operating Earnings to grow in the coming quarters as the assets received upon closing benefit from the deployment into our higher-yielding investment strategies.

2020 vs. 2019

For the year ended December 31, 2020, we reported net income of $1 million. This compares to net income of $6 million for the year ended December 31, 2019.

Gross premiums decrease by $73 million in 2020 relative to the same period in 2019. This decrease was due to a lower number of pension risk transfer deals closed during the year. Ceded premiums decreased by $178 million relative to the prior year. This is primarily related to one significant coinsurance reinsurance transaction in 2019 where we ceded $178.6 million of premiums.

Net investment income increased by $27 million in 2020, relative to the same period in 2019. Net investment income comprises of interest and dividends received, as well as realized and unrealized gains and losses on financial instruments. Interest and dividends received increased by $9 million reflecting the growth in the investment portfolio. Realized gains on financial instruments were lower by $6 million in 2020, relative to 2019, due to lower disposal activity in the year. Unrealized gains and losses on financial instruments in 2020 were positively impacted by strong mark-to-market performance of investments during the second half of the year resulting in $51 million of unrealized gains on investments and derivatives in 2020, relative to $27 million in 2019.

Gross benefits paid to policyholders increased by $24 million in 2020 due to the increase in new PRT business. Ceded benefits represent amounts received from reinsurers. Ceded benefits in 2020 increased by $11 million compared with the same period in 2019 as 2020 reflects the first full year of amounts received from reinsurers on treaties entered into in 2019. The company also entered into one additional reinsurance treaty in 2020.

The gross change in insurance contract liabilities in 2020 decreased by $81 million compared to the same period in 2019. The change in gross contract liabilities was primarily due to the impact of market movements, such as decreasing interest rates. Ceded change in insurance contract liabilities increased by $204 million due to the impact of market movements on the ceded reserves in 2020.

During 2020, DOE decreased $5 million to $1 million, primarily as a result of the overall lower rate environment experienced in 2020 compared with 2019.

CONSOLIDATED FINANCIAL POSITION

Comparison as at December 31, 2021 and December 31, 2020

The following table summarizes the financial position as at December 31, 2021 and December 31, 2020:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Assets		
Cash and cash equivalents	**$ 393**	$ 35
Investments	**4,943**	1,193
Reinsurance funds withheld	**4,650**	—
Equity accounted investments	**344**	—
Deferred acquisition costs	**776**	—
Reinsurance assets	**169**	190
Derivative assets	**146**	7
Property and equipment	**2**	2
Other assets	**70**	13
Total assets	**11,493**	1,440
Liabilities		
Insurance reserves	**8,497**	1,339
Due to related parties	**467**	—
Reinsurance payable	**75**	—
Corporate borrowings	**693**	—
Deferred revenue	**82**	—
Liabilities of structured entities	**167**	—
Other liabilities	**77**	18
Total liabilities	**10,058**	1,357
Total equity	**1,435**	83
Total liabilities and equity	**$ 11,493**	$ 1,440

December 31, 2021 vs. December 31, 2020

Cash increased by $358 million during the year primarily as a result of cash and cash equivalents held within the investment portfolios of our new reinsurance treaties, as well as the capital provided to the company upon Spin-off, which is used to fund future transactions and working capital requirements.

Investments increased by $3.8 billion over the year, primarily as a result of new PRT deals won during the year, and investments held within the general account within our new reinsurance transactions. In addition, investments included approximately $800 million of temporary corporate investments that will ultimately be transferred into our insurance investment portfolios in the near term.

The increase in equity accounted investments of $344 million related to our investment in AEL Holdings, as noted above.

Reinsurance funds withheld increased by $4.7 billion due to our two large-block reinsurance transactions that closed during the year. Each transaction included modified coinsurance arrangements, and as a result Reinsurance funds withheld represents the receivables from the ceding companies, including the embedded derivatives and modified coinsurance assets, and is partially offset by reinsurance funds withheld amounts payable.

Deferred acquisition costs increased by $776 million and relate to the large-block reinsurance transaction closed in 2021. Costs that were directly related to these reinsurance contracts were capitalized as deferred acquisition costs to the extent that they are recoverable from gross profits. Deferred acquisitions costs are amortized over the life of the policies in proportion to the estimated gross profits.

Insurance reserves increased by $7.2 billion due to $6.2 billion from two new reinsurance transactions and $1.1 billion from new PRT deals won.

The increase in due to related parties increased primarily as a result of a temporary bridge financing provided to a subsidiary of the company related to the financing of excess reserve capital within a recently closed reinsurance transaction. The financing is expected to be repaid in the near term, and replaced with third-party reserve capital financing.

Reinsurance payable relates to settlements payable to third-party reinsurers and cedants, and increased by $75 million during the period as a result of the new reinsurance treaties closed during the year.

Corporate borrowings increased by $693 million during the year primarily as a result of drawings on the Company's 364-day revolving credit facility for the purpose of temporarily warehousing attractive investment opportunities that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings.

Deferred revenue increased by $82 million due to a negative ceding commission recognized as part of a reinsurance transaction closed during the year.

Liabilities of structured entities relate to debt and preferred securities issued by consolidated structured entities that our reinsurance treaties have invested in. The increase of $167 million relates to new debt and preferred securities issued by these entities during the period.

AUM increased $8.6 billion during 2021 to $9.7 billion as a result of growth from new Reinsurance and PRT business during the year.

Excess Capital is the amount of capital in the business that is not currently supporting insurance contracts within regulated insurance entities. Excess capital includes the Company's investment in AEL Holdings and other corporate investments.

Net reserve capital is the the capital within our company that supports our insurance reserves, and increased $632 million as a result of block reinsurance and PRT transactions closed during the year.

SEGMENT REVIEW

Effective in the fourth quarter of 2021, the Company's operations are organized into two operating segments:Reinsurance and PRT.

We measure operating performance primarily using Distributable Operating Earnings ("Distributable Operating Earnings" or "DOE") which measures our ability to acquire net pension assets at a positive margin, and invest these assets at a return that is greater than the accretion of the annuitants' liabilities.

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the years ended December 31, 2021, 2020 and 2019:

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2021**	2020	2019
DOE	**13**	—	—

For the year ended December 31, 2021

The company's Reinsurance operating companies commenced their reinsurance operations in 2021 and closed its first two large-block transactions in the second half of 2021.

We deployed $5 billion of the assets received on the closing of the reinsurance transactions and expect Distributable Operating Earnings from our Reinsurance segment to grow in the coming quarters as the assets received upon closing benefit from the deployment into our higher-yielding investment strategies.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the years ended December 31, 2021, 2020 and 2019:

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2021**	2020	2019
DOE	**11**	1	6

Comparison of the years ended December 31, 2021 and 2020

During 2021, the company closed 26 PRT deals (2020 - 15), representing $1.1 billion of premiums and approximately 20% of the Canadian PRT market in 2021.The increase in Distributable Operating Earnings was primarily as a result of an increased investment spread, as we focused on deploying the existing portfolio into higher-yielding investment strategies.

Comparison of the years ended December 31, 2020 and 2019

During 2020, the company closed 15 PRT deals compared with 19 in 2019. The decrease in Distributable Operating Earnings was primarily as a result of the overall lower rate environment experienced in 2020 compared with 2019.

Liquidity and Capital Resources

CAPITAL RESOURCES

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, and access to the company's third-party credit facility, and our credit facility and equity commitment with Brookfield Asset Management. We proactively manage our liquidity position to meet liquidity needs while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our liquidity for the periods noted below consisted of the following:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Cash and cash equivalents	**$ 393**	$ 35
Corporate financial assets	**243**	—
Undrawn credit facilities	**313**	42
Total liquidity	**$ 949**	$ 77

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. As part of the Spin-off, Brookfield provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three year revolving $200 million credit facility in addition to our $150 million revolving credit facility with external banks. Subsequent to year end, the size of the revolving credit facility with Brookfield was increased to $400 million. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at December 31, 2021, the company's cash and cash equivalents included $105 million of unrestricted cash resources that can be deployed to fund corporate activities as needed. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation will be a matter of optimizing needs and opportunities at that time.

Comparison of the year ended December 31, 2021, 2020 and 2019

The following table presents a summary of our cash flows and ending cash balances for the years ended December 31, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Operating activities	**$ 1,581**	$ 399	$ 309
Investing activities	**(3,864)**	(385)	(268)
Financing activities	**2,640**	13	(35)
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**35**	13	8
Net change during the year	**357**	27	6
Foreign exchange on cash balances held in foreign currencies	**1**	(5)	(1)
Cash and cash equivalents, end of year	**$ 393**	$ 35	$ 13

Operating Activities

2021 vs. 2020

For the year ended December 31, 2021, we generated $1.6 billion of cash from operating activities compared to $399 million during 2020. The greater amount of cash generated was primarily due to $6.2 billion of favorable changes in insurance reserve due to two new reinsurance transactions and $82 million of deferred revenue, partially offset by $4.7 billion of changes in reinsurance funds withheld and $776 million of changes in deferred acquisition costs.

2020 vs. 2019

For the year ended December 31, 2020, we generated $399 million of cash from operating activities compared to $309 million during 2019. The increase was primarily as a result of new business written (net of ceded portion to reinsurers), compared to the prior year.

Investing Activities

2021 vs. 2020

For the year ended December 31, 2021, we deployed $3.9 billion of cash from investing activities compared to $385 million during 2020. The greater amount of cash used in the 2021 year was primarily due to additional assets acquired from the reinsurance transactions, the larger number of PRT transactions during the year, portfolio rebalancing activities and additional investments held on the company's balance sheet outside of insurance and reinsurance agreements. The increase of cash used is mainly comprised of $6.0 billion of purchase of investments, partially offset by $2.1 billion of proceeds on disposal of investments.

2020 vs. 2019

For the year ended December 31, 2020, we used $385 million to fund investing activities compared to $268 million during 2019. The greater use of cash in 2020 was primarily due to greater amount of business written and retained compared to the prior year.

Financing Activities

2021 vs. 2020

For the year ended December 31, 2021, we generated \$2.6 billion of cash from financing activities compared to \$13 million generated in the same period in 2020. The cash generated in the current year primarily relates to \$1.4 billion of cash received from the issuance of the class A exchangeable shares, class B shares and class C shares of the company during the year, \$378 million of net corporate borrowings from related parties and \$693 million of corporate borrowings from external parties.

2020 vs. 2019

For the year ended December 31, 2020, we generated \$13 million from financing activities compared to \$35 million used in the prior year. The cash generated in the current year primarily relates cash received from the issuance of common shares. Cash used in financing activities in the prior year primarily related to net repayments on various repurchase agreements.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As at December 31, 2021, our common equity was \$1.4 billion and included approximately \$164 million invested in Canadian dollars. All cumulative translation adjustments recorded for the years ended December 31, 2021 and 2020 were related to foreign exchange movements on the Canadian dollar relative to the U.S. dollar.

As at December 31, 2021, we had a notional \$846 million (December 31, 2020 - \$235 million) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 3, "Financial Instruments" of the Combined Consolidated Financial Statements.

Future Capital Obligations and Requirements

A subsidiary of the Company has loan commitment agreements to the maximum of \$463 million exclusive of taxes and other operating expenses (December 31, 2020 - \$15 million). As at December 31, 2021, \$81 million was loaned (December 31, 2020 - \$10 million). The amounts were recognized as loans and receivables and unrated bonds. For additional information, see Note 19, "Financial Commitment" of the Combined Consolidated Financial Statements.

Tabular Disclosure of Contractual Obligations

The table below outline the contractual obligations of the company as at December 31, 2021:

AS AT DEC. 31 2021 US$ MILLIONS	Payments due by year **Total**	Less than 1 year	1- 3 years	4 - 5 years	More than 5 years
Insurance reserves	**$ 8,497**	$ 368	$ 769	$ 792	$ 6,568
Due to related party	**467**	467	—	—	—
Reinsurance payable	**75**	21	14	15	25
Deferred revenue	**82**	4	7	7	64
Accounts payable and other	**65**	65	—	—	—
Liabilities of structured entities	**167**	—	—	—	167
Funds withheld liabilities	**12**	12	—	—	—
Corporate borrowings	**693**	656	37	—	—
Total	**$ 10,058**	$ 1,593	$ 827	$ 814	$ 6,824

Brookfield Asset Management Operating Results

An investment in the class A exchangeable shares of the company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield Asset Management. A summary of Brookfield Asset Management's 2021, 2020 and 2019 full year operating results is provided below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Revenues	**$ 81,112**	$ 66,682	$ 67,826
Net income (loss)	**12,388**	707	5,354

Each class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield Asset Management as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield Asset Management in its continuous disclosure filings. Copies of the Brookfield Asset Management's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Industry Trends and Factors Affecting Our Performance

Pension Risk Transfer

The Canadian PRT market in which our PRT business currently operates has expanded over the last several years, with a growth rate of approximately 24% per annum since 2015. With over C$2.6 trillion of defined benefit plan assets under management according to Global Pension Assets Study - 2022 issued by Willis Towers Watson, we believe there are significant opportunities for us to grow our Canadian PRT business organically.

Life Insurance and Annuities

The annuities and life insurance industry in our target markets of North America and Western Europe consists of over $13 trillion of assets and is growing by approximately 4% annually. As described above, we will participate in this industry primarily by providing reinsurance of annuity-based products and PRT solutions and over time may look for opportunities to expand our reinsurance business into life insurance, structured settlements, and other long-duration products in order to take advantage of the growing industry. We believe the current trends present significant opportunities for us to grow our Reinsurance business.

- **Low interest rates are differentiating those with access to higher-yielding investments.** Insurers invest primarily in fixed income products and declining yields have put pressure on profitability, creating opportunities for those with higher-yielding alternative investment management capabilities to outperform. Through our relationship with Brookfield, we have access to a diverse portfolio of suitable higher-yielding alternative investment products.

- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.

- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.

- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows on a book value basis, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our Combined Consolidated Statements of Financial Position include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The company’s obligations under its insurance contracts are denominated in Canadian and United States dollars but a portion of the assets supporting these liabilities are denominated in non-Canadian and non-United States dollars. We manage foreign exchange risk using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently remain at relatively low levels in many jurisdictions in which we operate. These rates may remain relatively low, but they may rise significantly at some point in the future, either gradually or abruptly. A sudden or unexpected increase in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

The company manages interest rate risk through their asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Credit Risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The company is primarily exposed to credit risk through its investments in debt securities.

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block's acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

In the future we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our Combined Consolidated Financial Position or Operations.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

We have significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board of Directors.

Disaster recovery and business continuity plans have also been established to manage the company's ability to operate under adverse conditions.

Impact of COVID-19

The World Health Organization declared COVID-19 to be a pandemic on March 11, 2020. To date, there have been restrictions on the conduct of business in many jurisdictions and the global movement of people and certain goods. We continue to closely monitor the related developments in light of the economic environment. The longer-term impacts from COVID-19 will depend on future developments which are highly uncertain, constantly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts. Where COVID-19 relates specifically to our business, specifically in valuing our insurance and reinsurance liabilities, we have allowed for identified deaths but we have not made any changes to our longevity assumptions as it remains too early to quantify the potential long-term impacts from COVID-19 on longevity.

Critical Accounting Policy and Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments made by management and used in preparing the financial statements, are summarized below:

i. Insurance reserves

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Combined Consolidated Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

In accordance with IFRS 4, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

The long-term insurance reserves are calculated separately for each product type, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market.

Insurance reserves are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4.

Insurance reserves represent the amount required to provide for future benefits payments and administrative expenses on policies in force with BAC. Insurance reserves are presented gross of reinsurance assets on the Combined Consolidated Statements of Financial Position. BAC's Appointed Actuary is responsible for determining the amount of insurance reserves in accordance with standards established by the CIA. CALM is used to determine insurance reserves and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that insurance reserves cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

BAC has designated invested assets supporting insurance reserves as FVTPL or as loans and receivables. Since the value of the insurance reserves is determined by reference to the assets supporting those reserves, changes in the insurance reserves offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

Insurance reserves are determined by NER Ltd. using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Insurance reserves are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Insurance reserves are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

ii. Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements (“Modco”). NER Ltd. generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Combined Consolidated Statements of Operations. Assumed premiums are included in premiums on the Combined Consolidated Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Combined Consolidated Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the Company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

iii. Reinsurance ceded

In the normal course of business, BAC is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are assessed for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

Longevity reinsurance

BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Combined Consolidated Statements of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Combined Consolidated Statements of Operations.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Combined Consolidated Statements of Financial Position. The reinsurance assets related to longevity reinsurance is the difference between the schedule of fixed and actual benefit payments on a proportion of defined blocks of business.

Quota share reinsurance

BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of business.

At the inception of each quota share reinsurance contract, premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC also recognizes a reinsurance asset and a change in insurance reserves ceded in the Combined Consolidated Statements of Financial Position and the Combined Consolidated Statements of Operations, respectively. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by OSFI. The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

iv. Deferred acquisition costs

The Company incurs costs in connection with acquiring or renewal of reinsurance business. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as deferred acquisitions costs ("DAC") to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances. The DAC is amortized over the life of the policies in proportion to the estimated gross profits

v. Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

vi. Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Combined Consolidated Statements of Operations.

vii. Benefits paid

Gross benefits and benefits ceded are recorded in the Combined Consolidated Statements of Operations when they are due and incurred.

viii. Investment in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. We use the equity method to account for our investments in associates within the Combined Consolidated Statements of Financial Position.

Interests in associates accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the Company’s proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the Company’s interest in an associate is adjusted for the Company’s share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 8.

ix. Structured entities

The Company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the Company, and its reinsurance treaty accounts.

The Company is the primary beneficiary of the variable returns of assets held within the entities, and while the Company is not involved in the investment decision process, the investment manager for the structured entities is a related party with significant residual economic interest in the Company. As a result, these entities are consolidated within the Company’s financial statements. We assess the variable returns determination for our structured entities on an ongoing basis. Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the Company’s investment in the consolidated structured entities is determined in accordance with the Company’s accounting policies for the underlying securities held within the structured entities.

x. Net hedging expenses

Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the Company's insurance operating companies' investment portfolios or insurance reserves.

Future Accounting Policy Changes

i. IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB issued the amendment to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023. In addition, the IASB extended the exemption for qualifying insurers to apply IFRS 9 Financial Instruments ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Combined Consolidated Statements of Operations. The Company continues to assess the impact of IFRS 17, which is expected to have a significant impact on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

ii. IFRS 9 Financial Instruments

In July 2014, the IASB published the complete version of IFRS 9, which replaces IAS 39 and is effective for annual periods beginning on or after January 1, 2018, with retrospective application. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model, and new hedge accounting guidance. In September 2016, the IASB issued an amendment to IFRS 4 to provide qualifying insurance companies with an optional temporary exemption from applying IFRS 9. The Company qualifies and has elected to take the deferral approach as its activities are predominantly connected with insurance.

In December 2021, the IASB published a narrow-scope amendment to IFRS 9, which allow insurers to apply the classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on the initial application of IFRS 9 and IFRS 17.

The Company is currently assessing the impact of implementing IFRS 9 on the Combined Consolidated Financial Statements. Further details are disclosed in Note 3(h).

iii. Amendments to IFRS 3

In May 2020, the IASB issued Reference to the Conceptual Framework, which includes amendments to IFRS 3 Business Combinations. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

iv. Amendments to IAS 37

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

v. Annual Improvements to IFRS Standards 2018-2020

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our Combined Consolidated Financial Statements. The amendments apply prospectively. The amendments are effective for annual periods beginning on or after January 1, 2022.

vi. Amendments to IAS 1

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

vii. Amendments to IAS 8

In February 2021, IASB published 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

viii. Amendments to IAS 12

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12, Income Taxes. The amendments relate to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The amendments are effective for annual reporting period beginning on or after January 1, 2023. The Company is evaluating the impact of the adoption of these amendments on its Combined Consolidated Financial Statements.

Performance Measures Used by Management

To measure performance, we focus on net income and gross premiums, as well as certain non-IFRS measures, including Distributable Operating Earnings, Excess Capital, and Net Reserve Capital. In addition, we provide certain metrics such as assets under management, which we refer to as AUM, which we believe are useful to investors to provide additional insights into the base upon which we earn investment income. Refer to the “Segment Review” section of this MD&A for further discussion on our performance measures as at December 31, 2021, and for the years ended December 31, 2021 and 2020 and 2019.

Non-IFRS Measures

We regularly monitor certain Non-IFRS measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-IFRS financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with IFRS. These Non-IFRS measures are not comparable to IFRS and may not be comparable to similarly described Non-IFRS measures reported by other companies, including those within our industry. Consequently, our Non-IFRS measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable IFRS measure in our consolidated financial statements for the years presented. The Non-IFRS financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with IFRS.

Distributable Operating Earnings

Distributable Operating Earnings is a key measure of our financial performance. We use Distributable Operating Earnings to assess operating results and the performance of our businesses. We define Distributable Operating Earnings as net income excluding the impact of depreciation and amortization, income taxes, income from equity accounted investments, mark-to-market on hedging items, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. Distributable Operating Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by IFRS as issued by the IASB. Distributable Operating Earnings is therefore unlikely to be comparable to similar measures presented by other issuers.

Excess Capital

Excess Capital is the amount of capital in the business that is not currently supporting insurance contracts within regulated insurance entities. We define Excess Capital as the total of cash on deposit with related parties, equity accounted investments, common shares, other fixed income securities, deferred tax assets and other capital items not related to capital supporting our insurance reserves.

Net Reserve Capital

Net Reserve Capital is the capital within regulated entities that is currently supporting insurance contracts. We define Net Reserve Capital as equity excluding Excess Capital. We use Net Reserve Capital to assess our return on our equity supporting insurance contracts.

We believe our presentation of Distributable Operating Earnings, Excess Capital, and Net Reserve Capital is useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of Distributable Operating Earnings also provide investors enhanced comparability of our ongoing performance across years.

For further details regarding our use of our Non-IFRS measures, as well as a reconciliation of net income and total equity to these measures, see the "Reconciliation of Non-IFRS Measures" section of this MD&A.

Operating Metrics

AUM

We define AUM as the total gross value of our managed insurance and investment assets, identified as investments and cash and cash equivalents in our consolidated financial statements. We believe this metric is useful in gauging the scale and growth of the business over time, and can be an indicator of future results when viewed in conjunction with our insurance liabilities.

Reconciliation of Non-IFRS Measures

The following table reconciles our net (loss) income to Distributable Operating Earnings:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income	**$ (44)**	$ 1	$ 6
Income tax expense	**2**	—	—
Transaction costs	**8**	—	—
Mark-to-market on hedging items and other	**64**	—	—
Distributable Operating Earnings	**$ 30**	$ 1	$ 6

The following table reconciles our total equity to excess capital and net reserve capital:

AS AT DEC. 31 US$ MILLIONS	2021	2020	2019
Equity	**$ 1,435**	$ 83	$ 66
Less:			
Cash on deposit with related parties	**(64)**	—	—
Equity accounted investments	**(344)**	—	—
Common shares	**(243)**	—	—
Deferred tax asset	**(20)**	—	—
Other corporate net investments	**(49)**	—	—
Excess capital	**(720)**	—	—
Net reserve capital	**$ 715**	$ 83	$ 66

Forward-Looking Information

In addition to historical information, this MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the company and Brookfield's outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the company, Brookfield Asset Management's or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The following factors, among others, could cause our actual results to vary from our forward-looking statements:

We caution that the factors that may affect future results described in this MD&A are not exhaustive. The forward-looking statements represent our views as of the date of this MD&A and should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our most recent Annual Report on Form 20-F and other risks and factors that are described therein.

Brookfield Asset Management Reinsurance Partners Ltd.

bamr.brookfield.com

NYSE: BAMR
TSX: BAMR

EXHIBIT 13(b)

Annual Report of Brookfield Reinsurance for the Year-End 2021

Brookfield

2021

ANNUAL

REPORT

Brookfield Asset Management Reinsurance Partners Ltd.

INDEX

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Brookfield Asset Management Reinsurance Partners Ltd.

Opinion on the Financial Statements

We have audited the accompanying combined consolidated statements of financial position of Brookfield Asset Management Reinsurance Partners Ltd. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related combined consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes, and the schedule of the Condensed Financial Statements of Brookfield Asset Management Reinsurance Partners Ltd. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Insurance Reserves - Refer to Notes 2(r) and 10 to the financial statements

Critical Audit Matter Description

The Company has significant insurance reserves representing the majority of its total liabilities. The Company uses different actuarial methodologies to determine insurance reserves depending on the nature of the underlying contract products and applicable jurisdictional guidance, as is permitted by IFRS 4, Insurance Contracts, some of which involve high levels of complexity.

While there are many assumptions which management makes to determine insurance reserves, the assumptions with the greatest uncertainty are those related to mortality and surrender, lapse and withdrawal rates (collectively "policyholder behaviour"). These assumptions required subjective and complex auditor judgment in certain circumstances, including where (i) there is limited company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) the policyholder behaviour may be irrational. Auditing of certain valuation methodologies and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation methodologies and assumptions related to mortality and policyholder behaviour included the following, among others:

- With the assistance of actuarial specialists, we tested the reasonableness of mortality and policyholder behaviour assumptions, by:

    - Evaluating management's methods and assumptions in accordance with applicable actuarial principles and practices under actuarial standards of practice.

    - Testing inputs used in the determination of the mortality and policyholder behaviour assumptions.

    - Analyzing management's methods and interpretation of data used to adjust industry tables, applying industry guidance, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of data, where applicable.

    - With the assistance of actuarial specialists, we tested the appropriateness of valuation methodologies used in the estimation process by:

    - Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology.

    - Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected and key assumptions were incorporated in those actuarial models for the reinsurance deals undertaken.

    - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies included in the reinsurance deals undertaken and comparing the results to the Company's results.

Accounting for Structured Entities - Refer to Note 2(ai) to the financial statements

Critical Audit Matter Description

The Company invests a portion of its assets in structured entities ("entities"). These entities issued debt and preferred share securities to the Company's reinsurance treaty accounts, including modified coinsurance accounts held by third party insurance companies. The Company is not involved in the investment decision process and has a residual economic interest in the entities. The Company determined that it has control over the entities, and as such has consolidated the entities.

The determination of the accounting treatment for the entities required management to evaluate whether the Company exercised control or significant influence over the entities. This involved significant management judgment to interpret the key agreements and related party relationships associated with the entities. Auditing whether the Company exercised control or significant influence over the entities required a high degree of subjectivity which resulted in an increased extent of audit effort including the need to involve technical accounting specialists.

How the Critical Audit Matter Was Addressed in the Audit

With the assistance of technical accounting specialists, our audit procedures related to the evaluation of whether the Company exercised control or significant influence over the entities included the following, among others:

- Assessed the executed agreements with counterparties to understand the nature of the instruments that were issued by the entities to determine which party was exposed, or had rights, to variable returns from their investment in the financial instruments issued by the entities.

- Evaluated related party relationships to understand whether the Company, through such relationships, had power over the entities and the ability to use such power to affect the amount of returns to the Company.

- Evaluated management's assessment of whether the Company exercised control or significant influence over the entities by analyzing specific facts and circumstances against relevant accounting guidance.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 22, 2022

We have served as the Company's auditor since 2016.

COMBINED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DEC. 31 US$ MILLIONS	Note	**2021**	2020
Assets			
Cash and cash equivalents	3	**$ 393**	$ 35
Investments	3	**4,943**	1,193
Accounts receivable and other	4	**47**	13
Reinsurance funds withheld	3	**4,650**	—
Derivative assets	3	**146**	7
Deferred tax asset	15	**20**	—
Property and equipment	5	**2**	2
Intangible assets	6	**3**	—
Equity accounted investments	8	**344**	—
Deferred acquisition costs	7	**776**	—
Reinsurance assets	10	**169**	190
Total assets		**$ 11,493**	$ 1,440
Liabilities			
Insurance reserves	10	**$ 8,497**	$ 1,339
Accounts payable and other	9	**65**	6
Due to related parties	17	**467**	—
Reinsurance payable		**75**	—
Corporate borrowings	13	**693**	—
Deferred revenue		**82**	—
Liabilities of structured entities		**167**	—
Funds withheld liabilities	3	**12**	12
Total liabilities		**10,058**	1,357
Equity			
Brookfield Asset Management Inc.[1]		**—**	83
Class A exchangeable and Class B[2]		**539**	—
Class C[2]		**896**	—
Total equity		**1,435**	83
Total liabilities and equity		**$ 11,493**	$ 1,440

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	**2021**	2020	2019
Premiums				
Gross		**$ 7,207**	$ 431	$ 504
Ceded		**(1)**	(1)	(179)
Net premiums		**7,206**	430	325
Net investment income	3	**60**	84	57
Net investment results from funds withheld	3	**78**	—	—
Total revenues		**7,344**	514	382
Income from equity accounted investments	8	**8**	—	—
Benefits paid on insurance contracts				
Gross		**310**	63	39
Ceded		**(18)**	(25)	(14)
Change in insurance reserves	10			
Gross		**6,958**	457	538
Ceded		**22**	11	(193)
Other reinsurance expenses		**19**	—	—
Operating expenses	14	**35**	6	6
Net hedging expenses		**59**	—	—
Interest expense		**9**	—	—
Total benefits and expenses		**7,394**	512	376
Net (loss) income before income taxes		**(42)**	2	6
Current tax expense	15	**—**	(1)	—
Deferred tax expense	15	**(2)**	—	—
Net (loss) income for the year		**$ (44)**	$ 1	$ 6
Attributable to:				
Brookfield Asset Management Inc.[1]		**5**	1	6
Class A exchangeable and Class B shareholders[2]		**3**	—	—
Class C shareholders[2]		**(52)**	—	—
		$ (44)	$ 1	$ 6
Net income per class C share				
Basic and diluted[3]	16	**$ (2.58)**		

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).
3. Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 are attributed to our predecessor company Brookfield Annuity Holdings Inc. See Note 2(ag).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income	**$ (44)**	$ 1	$ 6
Other comprehensive income (loss) that will be reclassified to net income (loss)			
Equity accounted other comprehensive income	**44**	—	—
Net unrealized (loss) gain on available for sale securities	**(55)**	1	—
Foreign currency translation	**(4)**	2	3
Total other comprehensive (loss) income	**(15)**	3	3
Comprehensive (loss) income	**$ (59)**	$ 4	$ 9
Attributable to:			
Brookfield Asset Management Inc.[1]	**6**	4	9
Class A exchangeable and Class B shareholders[2]	**3**	—	—
Class C shareholders[2]	**(68)**	—	—
	$ (59)	$ 4	$ 9

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to December 31, 2021. See Note 1(b).

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Note	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				
		Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2021		$ 78	$ 1	$ 4	**$ 83**	$ —	$ —	$ —	**$ —**	$ —	$ —	$ —	**$ —**	**$ 83**
Changes in year:														
Net income (loss)		—	5	—	**5**	—	3	—	**3**	—	(52)	—	**(52)**	**(44)**
Other comprehensive income (loss)		—	—	1	**1**	—	—	—	**—**	—	—	(16)	**(16)**	**(15)**
Comprehensive income (loss)		—	5	1	**6**	—	3	—	**3**	—	(52)	(16)	**(68)**	**(59)**
Other items														
Equity issuances / Reorganization[1]	11	(78)	—	—	**(78)**	539	—	—	**539**	963	—	—	**963**	**1,424**
Return of capital[2]	11	—	—	—	**—**	(3)	—	—	**(3)**	—	—	—	**—**	**(3)**
Common control transaction adjustments[3]		—	(6)	(5)	**(11)**	—	—	—	**—**	—	1	—	**1**	**(10)**
Total change in year		(78)	(1)	(4)	**(83)**	536	3	—	**539**	963	(51)	(16)	**896**	**1,352**
Balance as at December 31, 2021		$ —	$ —	$ —	**$ —**	$ 536	$ 3	$ —	**$ 539**	$ 963	$ (51)	$ (16)	**$ 896**	**$1,435**

1. See Note 1(b) for details regarding the Spin-off and reorganization.
2. The Company distributed $0.13 in the form of a return of capital per each Class A exchangeable and Class B share in the third and fourth quarters of 2021.
3. See Note 2(c) for details regarding the common control transaction.

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				
	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2020	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**
Changes in year:													
Net income	—	1	—	**1**	—	—	—	**—**	—	—	—	**—**	**1**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**3**
Comprehensive income	—	1	3	**4**	—	—	—	**—**	—	—	—	**—**	**4**
Other items													
Equity issuances	13	—	—	**13**	—	—	—	**—**	—	—	—	**—**	**13**
Total change in year	13	1	3	**17**	—	—	—	**—**	—	—	—	**—**	**17**
Balance as at December 31, 2020	**$ 78**	**$ 1**	**$ 4**	**$ 83**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 83**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE YEAR ENDED DEC. 31 2019 US$ MILLIONS	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				
	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	Total Equity
Balance as at January 1, 2019	$ 60	$ (6)	$ (2)	**$ 52**	$ —	$ —	$ —	**$ —**	$ —	$ —	$ —	**$ —**	**$ 52**
Changes in year:													
Net income	—	6	—	**6**	—	—	—	**—**	—	—	—	**—**	**6**
Other comprehensive income	—	—	3	**3**	—	—	—	**—**	—	—	—	**—**	**3**
Comprehensive income	—	6	3	**9**	—	—	—	**—**	—	—	—	**—**	**9**
Other items													
Equity issuances	5	—	—	**5**	—	—	—	**—**	—	—	—	**—**	**5**
Total change in year	5	6	3	**14**	—	—	—	**—**	—	—	—	**—**	**14**
Balance as at December 31, 2019	**$ 65**	**$ —**	**$ 1**	**$ 66**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66**

The accompanying notes are an integral part of the combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Operating activities			
Net (loss) income	**$ (44)**	$ 1	$ 6
Non-cash items affecting net income			
Premium received in kind	**(167)**	—	—
Unrealized gains on investments and derivatives	**33**	(51)	(27)
Net hedging expenses	**(27)**	—	—
Income tax expense	**2**	1	—
Income from equity accounted investments	**(8)**	—	—
Realized gain on investments	**(23)**	—	—
Changes in non-cash balances related to operations			
Changes in reinsurance receivable	**(9)**	—	—
Changes in reinsurance funds withheld	**(4,650)**	—	—
Changes in deferred tax asset	**(24)**	—	—
Changes in reinsurance assets	**22**	10	(193)
Changes in reinsurance payable	**75**	—	—
Changes in insurance reserves	**7,152**	457	538
Changes in deferred revenue	**82**	—	—
Changes in funds withheld liabilities	**—**	12	—
Changes in deferred acquisition costs	**(776)**	—	—
Changes in working capital	**52**	(1)	(6)
Operating activities affecting cash			
Realized gains on investments and derivatives	**(4)**	(3)	(9)
Interest income received	**(51)**	(27)	—
Purchase of derivatives	**(133)**	—	—
Proceeds from disposal of derivatives	**79**	—	—
Cash flows from operating activities	**1,581**	399	309
Investing activities			
Dividends received	**2**	—	—
Interest income received	**51**	27	—
Purchase of investments			
Bonds	**(4,251)**	(971)	(1,010)
Private debt	**(181)**	—	—
Common equity	**(644)**	—	—
Private equity and other	**(219)**	—	(1)
Mortgages	**(185)**	—	(1)
Private loans	**(512)**	(4)	(11)
Sales and maturities of investments			
Bonds	**2,001**	561	754
Common equity	**20**	—	—
Private equity and other	**1**	1	1
Mortgages	**18**	—	—
Private loans	**36**	2	—
Purchase of intangibles	**(1)**	(1)	—
Cash flows from investing activities	**(3,864)**	(385)	(268)

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Financing activities			
Issuance of equity	**1,410**	13	5
Return of capital	**(8)**	—	—
Borrowings from related parties	**960**	—	—
Repayments of borrowings to related parties	**(582)**	—	—
Borrowings from external parties	**693**	—	—
Borrowings of structured entities	**167**	—	—
Proceeds from repurchase agreement	**464**	222	245
Repayments of repurchase agreement	**(464)**	(222)	(285)
Cash flows from financing activities	**2,640**	13	(35)
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**35**	13	8
Net change during the year	**357**	27	6
Foreign exchange on cash balances held in foreign currencies	**1**	(5)	(1)
Cash and cash equivalents, end of year	**$ 393**	$ 35	$ 13

The accompanying notes are an integral part of the combined consolidated financial statements.

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

(a) Brookfield Asset Management Reinsurance Partners Ltd.

Brookfield Asset Management Reinsurance Partners Ltd. ("BAM Re" or the "Company") is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company was established to become a reinsurance business focused on providing capital-based solutions to insurance companies and their stakeholders. The Company's class A exchangeable shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol "BAMR". The Company's operations are located primarily in Bermuda, Canada, and the Cayman Islands. The Company's original registered head office was 73 Front Street 5th Floor, Hamilton HM 12, Bermuda. During the third quarter, the registered head office was changed to Wellesley House South, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the Company's interest in its operating subsidiaries North End Re Ltd. ("NER Ltd.") and North End Re (Cayman) SPC ("NER SPC") and Brookfield Annuity Company ("BAC").

Through its operating subsidiaries, the Company acts as a direct issuer of pension risk transfer products for pension plan sponsors and provides annuity-based reinsurance products to insurance and reinsurance companies. The Company currently has two operating segments, Reinsurance and Pension Risk Transfer ("PRT").

(b) Spin-off of Brookfield Asset Management Reinsurance Partners Ltd.

On June 28, 2021, Brookfield Asset Management Inc. ("Brookfield Asset Management") completed the spin-off of the Company (the "Spin-off"), which was affected by way of a special dividend of the class A exchangeable limited voting shares ("class A exchangeable shares") of the Company to holders of Brookfield Class A limited voting shares ("Brookfield Class A Shares") and Class B limited voting shares ("Brookfield Class B Shares") as of June 18, 2021 (the "record date"). Pursuant to the special dividend, as of the record date, holders of Brookfield Class A Shares and Class B Shares received one class A exchangeable share for every 145 Brookfield Class A Shares or Class B Shares held. Brookfield Asset Management holds all the class C non-voting shares ("class C shares"), giving it the residual economic interest in the Company, but no voting interest in it.

Prior to the Spin-off, Brookfield Asset Management effected a reorganization so that the Company's PRT business (the "Business") and other investments that were historically owned and operated by Brookfield Asset Management, through its operating entities, were acquired by BAM Re Holdings, a subsidiary of the Company.

The following describes the transactions and agreements resulting from the Spin-off:

(i) Class A exchangeable shares

As part of the Spin-off, Brookfield Asset Management subscribed for 11 million class A exchangeable shares for approximately $538 million in cash. Upon Spin-off, Brookfield Asset Management distributed the 11 million class A exchangeable shares as a special dividend to the Brookfield Asset Management shareholders who hold Brookfield Class A Shares and Brookfield Class B Shares.

(ii) Class B shares

As part of the Spin-off, holders of class B shares ("BAM Re Class B Partners"), through a voting trust, subscribed for 24,000 class B shares for $1 million.

(iii) Class C shares

As part of the Spin-off, Brookfield Asset Management transferred its ownership in the Business along with its holdings of American Equity Investment Life Holding Company ("AEL Holdings") common shares and additional cash for working capital purposes to the Company. The total value of the consideration provided to the Company was approximately $712 million, which was exchanged for 17 million class C shares. In October 2021, the Company issued an additional 7 million class C shares to Brookfield Asset Management for consideration of $250 million. As at December 31, 2021, there were 24 million class C shares outstanding. Brookfield Asset Management owns all the issued and outstanding class C shares.

(iv) Equity Commitment

As part of the Spin-off, Brookfield Asset Management provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of a number of class C shares or junior preferred shares. Further details of the equity commitment are described in Note 17.

(v) Credit Agreement

As part of the Spin-off, the Company entered into a credit agreement with Brookfield Asset Management (the "Brookfield Credit Agreement") as lender on June 28, 2021, providing for a three-year revolving $200 million credit facility. On March 9, 2022, the revolving credit facility agreement was increased to $400 million. Further details of the Brookfield Credit Agreement are described in Note 17.

(vi) Support Agreement

As part of the Spin-off, the Company entered into a support agreement with Brookfield Asset Management (the "Support Agreement"). Brookfield Asset Management has agreed to support the economic equivalence of the class A exchangeable shares and Brookfield Class A Shares for so long as class A exchangeable shares not owned by Brookfield Asset Management are outstanding, and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable the Company to pay quarterly distributions, the liquidation amount, or the amount payable on a redemption of class A exchangeable shares, as the case may be. Further details of the Support Agreement are described in Note 17.

(vii) Rights Agreement

As part of the Spin-off, the Company entered into a rights agreement with Brookfield Asset Management (the "Rights Agreement"), pursuant to which Brookfield Asset Management has agreed that on the applicable specified exchange date with respect to any class A exchangeable shares submitted for exchange, Brookfield Asset Management will satisfy, or cause to be satisfied, the obligations pursuant to our memorandum of association and by-laws to exchange such subject class A exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. Further details of the Rights Agreement are described in Note 17.

(viii) Administration Agreement

As part of the Spin-off, the Company entered into an administration agreement with Brookfield Asset Management (the "Administration Agreement"), pursuant to which Brookfield Asset Management has agreed to provide administrative services to the Company, including the services of our Chief Executive Officer and Chief Investment Officer and certain other administrative services, on a cost-recovery basis. Further details of the Administration Agreement are described in Note 17.

(ix) *Investment Management Agreement*

As part of the Spin-off, the Company entered into one or more Investment Management Agreements appointing Brookfield Asset Management as the investment manager of certain assets and accounts, including assets backing the liabilities assumed by the Company under the insurance and future reinsurance arrangements, and any assets held as surplus. Further details of the Brookfield Investment Management Agreements are described in Note 17.

(x) *Licensing Agreement*

As part of the Spin-off, the Company entered into a licensing agreement with Brookfield Asset Management (the "Brookfield Licensing Agreement"), pursuant to which Brookfield Asset Management has granted a non-exclusive, royalty-free sub-license to use the name "Brookfield" and the Brookfield logo. Further details of the Brookfield Licensing Agreement are described in Note 17.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Combined Consolidated Financial Statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars ("USD") rounded to the nearest million unless otherwise indicated.

The financial statements were authorized for issue by the Board of Directors of the Company on March 22, 2022.

(b) Basis of Consolidation

The financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

(c) Continuity of Interest

As described above, BAM Re was established on December 10, 2020 by Brookfield and on June 28, 2021 Brookfield Asset Management completed the Spin-off of the Business to the Company and the special dividend declaration to holders of Brookfield's Class A and B Shares. Brookfield Asset Management controlled the Business prior to the Spin-off and has significant influence over the Company subsequent to the Spin-off through its interests in the Company. The Business was transferred before Spin-off, as part of the reorganization, and therefore the transactions are common control transactions. In accordance with the Company and Brookfield Asset Management's accounting policy, the Company has reflected the Business in its financial position and results of operations using Brookfield Asset Management's carrying values, prior to the Spin-off.

In addition, certain investments were transferred as part of the reorganization. These are treated as asset acquisitions and are also considered common control transactions. The accounting policy is to record the common control asset acquisitions on the date of occurrence at the historical carrying value, with any gain or loss against the consideration paid being recorded in equity. To reflect this continuity of interest, these financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off (see Note 1(b)) have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the Company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the Company, including the adjustments associated with the Spin-off and the execution of several agreements (see Note 17). Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

(d) Class A exchangeable shares

As described in Note 1 (b)(i), the Company's equity interests include the class A exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield Asset Management at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield Asset Management), plus unpaid distributions. Brookfield Asset Management currently intends to satisfy any exchange requests on the class A exchangeable shares through the delivery of Brookfield Class A Shares rather than cash. Each class A exchangeable share, held on the record date, has voting rights and is entitled to cast one vote at a meeting of shareholders of the Company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(e) Class B shares

As described in Note 1 (b)(ii), the Company's equity interests include the class B shares held by BAM Re Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The BAM Re Class B Partners are entitled to one vote on any matter and can cast one vote for each class B share held at the record date.

The class B shares are classified as equity instruments. The class B shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(f) Class C shares

As described in Note 1 (b)(iii), the Company's equity interests include the class C shares held by Brookfield Asset Management. The class C shares are non-voting shares that are entitled to the residual economic interest in the Company after payment in full of the amount due to holders of our class A exchangeable shares and our class B shares and subject to the prior rights of holders of the Preferred Shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(g) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of 90 days or less. The Company classifies cash and cash equivalents at amortized cost.

Cash and cash equivalents exclude cash balances and short-term investments that are for use by the Company as part of the reinsurance funds withheld arrangement (Note 2(i)).

(h) Investments

Investments are financial assets which are comprised of common shares, preferred shares, bonds and fixed-income instruments. The Company uses the trade date to account for investment transactions.

Financial assets are classified into one of the following categories:

- AFS assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- FVTPL assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. Financial assets supporting capital and surplus and coinsurance reserves are classified as AFS or as loans and receivables. Unrealized gains (losses) are recognized in other comprehensive income (loss). Upon realization, gains or losses are reclassified to the Combined Consolidated Statements of Operations and recorded in net investment income (loss).

Financial assets supporting insurance reserves under PRT and modified coinsurance reserves under reinsurance are designated as FVTPL or as loans and receivables. Any changes in the fair value of the underlying assets matched to the insurance reserves are directly reflected in the insurance reserves. Unless the asset is deemed to be impaired, changes in fair value of assets matching these liabilities and changes in the corresponding insurance reserves are directly recognized in the Combined Consolidated Statements of Operations in order to avoid a mismatch that would otherwise arise.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income (loss) and presented in realized gains (losses) on investments which is included in net investment income.

(i) Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which NER Ltd. and NER SPC, indirect wholly owned subsidiaries of the Company, act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by NER Ltd. and NER SPC. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, NER Ltd. and NER SPC would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. and NER SPC have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by NER Ltd. and NER SPC. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments (Note 2(k)).

(j) Funds withheld liabilities

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where BAC acts as a cedant. While the assets in the funds withheld liabilities are legally owned by BAC, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. BAC's funds withheld liabilities balance includes cash and cash equivalents, fixed income securities and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

(k) Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, cross currency swaps, interest rate swaps, and bond futures. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in fair value of derivatives are recorded in net investment income (loss), in the Combined Consolidated Statements of Operations.

Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the Combined Consolidated Statements of Financial Position. Changes in the fair value are included in the net investment results from funds withheld in the Combined Consolidated Statements of Operations.

(l) Assets pledged as collateral

The Company receives and pledges collateral in respect to certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Combined Consolidated Statements of Financial Position as the Company retains all rights related to these assets.

Collateral received is not recognized in the Combined Consolidated Statements of Financial Position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

(m) Collateralized borrowing transactions

Securities sold under repurchase agreements are collateralized borrowing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at amortized cost and are recorded at amounts at which the securities were initially sold.

The Company recognizes an asset in the Combined Consolidated Statements of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Combined Consolidated Statements of Financial Position.

(n) Right to offset

Amounts presented in these financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(o) Impairment

At each reporting date, financial assets are assessed for impairment indicators. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. For AFS equity investments, a significant and prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer's financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Combined Consolidated Statements of Operations.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Combined Consolidated Statements of Operations.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. In addition, irrespective of whether there is any indication of impairment, intangible assets not yet available for use are tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Classification of Financial Instruments

Accrued investment income, reinsurance receivable, due from related party, private loans, mortgages, and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, accounts payable and accrued liabilities, and other liabilities have been classified as other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. For these items, carrying value approximates fair value due to their short-term nature. Further details of the financial instruments are described in Note 3.

(q) Leases

IFRS 16 Leases ("IFRS 16") specifies how to recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the Company will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The ROU asset is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the Company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the Company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized. The ROU asset is included in property and equipment in the Combined Consolidated Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the Company's estimate of the amount expected to be payable.

(r) Insurance reserves

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Combined Consolidated Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

In accordance with IFRS 4, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

The long-term insurance reserves are calculated separately for each product type, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market.

Insurance reserves are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4.

Insurance reserves represent the amount required to provide for future benefits payments and administrative expenses on policies in force with BAC. Insurance reserves are presented gross of reinsurance assets on the Combined Consolidated Statements of Financial Position. BAC's Appointed Actuary is responsible for determining the amount of insurance reserves in accordance with standards established by the CIA. CALM is used to determine insurance reserves and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that insurance reserves cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

BAC has designated invested assets supporting insurance reserves as FVTPL or as loans and receivables. Since the value of the insurance reserves is determined by reference to the assets supporting those reserves, changes in the insurance reserves offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

Insurance reserves are determined by NER Ltd. using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Insurance reserves are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Insurance reserves are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

(s) Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements (“Modco”). NER Ltd. generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Combined Consolidated Statements of Operations. Assumed premiums are included in premiums on the Combined Consolidated Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Combined Consolidated Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the Company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

(t) Reinsurance ceded

In the normal course of business, BAC is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are assessed for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

<u>Longevity reinsurance</u>
BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Combined Consolidated Statements of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Combined Consolidated Statements of Operations.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Combined Consolidated Statements of Financial Position. The reinsurance assets related to longevity reinsurance is the difference between the schedule of fixed and actual benefit payments on a proportion of defined blocks of business.

<u>Quota share reinsurance</u>
BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of business.

At the inception of each quota share reinsurance contract, premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC also recognizes a reinsurance asset and a change in insurance reserves ceded in the Combined Consolidated Statements of Financial Position and the Combined Consolidated Statements of Operations, respectively. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by OSFI. The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

(u) Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Combined Consolidated Statements of Operations.

(v) Deferred acquisition costs

The Company incurs costs in connection with acquiring or renewal of reinsurance business. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as deferred acquisitions costs (“DAC”) to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances. The DAC is amortized over the life of the policies in proportion to the estimated gross profits.

(w) Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

(x) Benefits paid

Gross benefits and benefits ceded are recorded in the Combined Consolidated Statements of Operations when they are due and incurred.

(y) Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments and derivatives represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on investments and derivatives measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

Investment upfront fees are recognized when the performance obligation has been satisfied under the contractual terms and customary business practice, which may be satisfied over time or at a point in time, in accordance with IFRS 15. The amounts are included in net investment income.

(z) Net investment results from funds withheld

Net investment results from funds withheld include investment income on funds withheld investments and changes in the fair value of derivatives embedded in reinsurance contracts, as discussed in Note 2(k). Changes in the fair value of the embedded derivative are included in the net investment results from funds withheld in the Combined Consolidated Statements of Operations.

(aa) Net hedging expenses

Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the Company's insurance operating companies' investment portfolios or insurance reserves.

(ab) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the Company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

(ac) Foreign currencies

The Company's functional currency was changed from Canadian Dollar ("CAD") to USD during the fourth quarter as the primary economic activities which influenced the services provided, investment portfolio and financing activities were based in the United States. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the year. Gains or losses on translation of these items are included in net income.

For purposes of presenting the financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the year. Gains or losses on translation of these items are included in other comprehensive income.

There was no impact on the financial statements as a result of the change in functional currency, as the Company's presentation was previously determined to be USD.

(ad) Investment in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. We use the equity method to account for our investments in associates within the Combined Consolidated Statements of Financial Position.

Interests in associates accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the Company's proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 8.

(ae) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to five years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The ROU asset is depreciated on the straight-line basis over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

(af) Segments

In accordance with IFRS 8 Operating Segments, the Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocation of resources and assessing performance. The Company's CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the Company. Our operations were reorganized into two reportable segments during the fourth quarter: Reinsurance and PRT (see Note 18).

(ag) Earnings per share

The holders of the class C shares are entitled to received distributions if, as and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the Company's distributable earnings (as determined by management of the Company) after payment of distributions on the class A exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs, and other similar adjustments.

Total outstanding class C shares have been used to calculate basic and diluted earnings per share. Class A exchangeable shares and class B shares are not considered participating securities nor considered to be ordinary shares, and consequently per share amounts for these classes of shares has not been presented.

Basic earnings per share attributable to class C shareholders are calculated by dividing the Company's net income for the year, less distributions payable to class A exchangeable and class B shareholders, by the weighted average number of class C shares outstanding during the year. Diluted earnings per share are determined by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential shares.

Basic and diluted earnings per share for the year ended December 31, 2020 and 2019 of $18.92 and $67.72, respectively, were calculated by dividing the net income attributable to Brookfield for the year by the weighted average number of BAH common shares (2020 – 85 million, 2019 – 81.6 million, respectively). The earnings per share amounts for December 31, 2020 and 2019 are not comparable to the earnings per share amount for the year ended December 31, 2021 as a result of the Spin-off and the issuance of Class A exchangeable shares, class B shares and class C shares on June 28, 2021. Further details of the Spin-off are described in Note 1(b).

(ah) Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of insurance reserves, reinsurance assets, the fair value of financial assets determined using valuation techniques and the impairment of financial instruments. Actual results may differ from our estimates thereby impacting the financial statements. Outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

Management judgment is also used in applying the accounting policies used to prepare the financial statements. The items most susceptible to changes in estimate and judgements are the measurement of reinsurance assets (Note 10), insurance reserves (Note 10), and impairment of available-for-sale securities and loans and receivables (Note 3).

(ai) Structured entities

The Company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the Company, and its reinsurance treaty accounts.

The Company is the primary beneficiary of the variable returns of assets held within the entities, and while the Company is not involved in the investment decision process, the investment manager for the structured entities is a related party with significant residual economic interest in the Company. As a result, these entities are consolidated within the Company's financial statements. We assess the variable returns determination for our structured entities on an ongoing basis. Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the Company's investment in the consolidated structured entities is determined in accordance with the Company's accounting policies for the underlying securities held within the structured entities.

(aj) Amendments adopted during the current year

(i) Interest Rate Benchmark Reform

In August 2020, the IASB published Interest Rate Benchmark Reform—Phase 2, which issued amendments to IFRS 9, IAS 39, IFRS 7 Financial Instruments: Disclosures, IFRS 4 and IFRS 16. The amendments complement Interest Rate Benchmark Reform—Phase 1, which was issued in 2019, and focus on the effects on financial statements when the old interest rate benchmark is replaced with an alternative benchmark rate as a result of the reform. The amendments provide relief from remeasurement impacts on financial instruments and discontinuance of hedge relationships arising from reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments were effective for annual reporting periods beginning on or after January 1, 2021.

Most US London Interbank Offered Rate ("LIBOR") values will be discontinued on June 30, 2023. Transition activities in the market are ongoing and are focused on two broad streams of work: (i) developing new alternative risk-free rate linked products and (ii) converting existing LIBOR-based contracts to alternative risk-free rates. Transition activities for the Company include incorporation of contractual provisions for new LIBOR-based financial instruments that provide a means to determining new alternative benchmark rates upon the expiry of LIBOR. The Company invests in the debt securities that pay interest based on floating interest rates indexed to either one-month, three-month or six-month US LIBOR. As at December 31, 2021, the carrying value of these debt securities was $425 million. The Company does not expect the transition to an alternative risk-free rate to have a material impact on its Combined Consolidated Financial Statements and its risk management strategy. The Company does not have any further exposure to LIBOR as at December 31, 2021.

(ak) Future accounting policy changes

(i) IFRS 17

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB issued the amendment to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023. In addition, the IASB extended the exemption for qualifying insurers to apply IFRS 9 Financial Instruments ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Combined Consolidated Statements of Operations. The Company continues to assess the impact of IFRS 17, which is expected to have a significant impact on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

(ii) *IFRS 9*

In July 2014, the IASB published the complete version of IFRS 9, which replaces IAS 39 and is effective for annual periods beginning on or after January 1, 2018, with retrospective application. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model, and new hedge accounting guidance. In September 2016, the IASB issued an amendment to IFRS 4 to provide qualifying insurance companies with an optional temporary exemption from applying IFRS 9. The Company qualifies and has elected to take the deferral approach as its activities are predominantly connected with insurance.

In December 2021, the IASB published a narrow-scope amendment to IFRS 9, which allow insurers to apply the classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on the initial application of IFRS 9 and IFRS 17.

The Company is currently assessing the impact of implementing IFRS 9 on the Combined Consolidated Financial Statements. Further details are disclosed in Note 3(h).

(iii) *Amendments to IFRS 3*

In May 2020, the IASB issued Reference to the Conceptual Framework, which includes amendments to IFRS 3 Business Combinations. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(iv) *Amendments to IAS 37*

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(v) *Annual Improvements to IFRS Standards 2018-2020*

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our Combined Consolidated Financial Statements. The amendments apply prospectively. The amendments are effective for annual periods beginning on or after January 1, 2022.

(vi) Amendments to IAS 1

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(vii) Amendments to IAS 8

In February 2021, IASB published 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

(viii) Amendments to IAS 12

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12, Income Taxes. The amendments relate to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The amendments are effective for annual reporting period beginning on or after January 1, 2023. The Company is evaluating the impact of the adoption of these amendments on its Combined Consolidated Financial Statements.

(al) Impact of COVID-19

Since the outbreak of COVID-19, emergency measures taken in response to the spread of the virus have resulted in significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving and the duration and impact of the COVID-19 pandemic is highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the assets. Where COVID-19 relates specifically to our business, specifically in valuing our insurance and reinsurance liabilities, we have allowed for identified deaths but we have not made any changes to our longevity assumptions as it remains too early to quantify the potential long-term impacts from COVID-19 on longevity.

NOTE 3. FINANCIAL INSTRUMENTS

a) Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT DEC. 31 US$ MILLIONS	2021 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 320	**$ 320**
Cash equivalents	—	—	73	**73**
Total cash and cash equivalents	**—**	**—**	**393**	**393**
Derivatives				
Foreign exchange forwards	10	—	—	**10**
Bond futures	9	—	—	**9**
Options	127	—	—	**127**
Total derivative assets	**146**	**—**	**—**	**146**
Bonds				
Government	377	1,287	—	**1,664**
Corporate	1,586	306	—	**1,892**
Private debt	—	208	—	**208**
Total debt securities	**1,963**	**1,801**	**—**	**3,764**
Common shares	—	275	—	**275**
Preferred shares	4	14	—	**18**
Private equity and other	—	247	—	**247**
Total equity	**4**	**536**	**—**	**540**
Total loans and receivables	**—**	**—**	639	**639**
Total investments	**1,967**	**2,337**	**639**	**4,943**
Reinsurance funds withheld	**4,650**	—	—	**4,650**
Interest rate swaps	(1)	—	—	**(1)**
Total derivative liabilities	**(1)**	**—**	**—**	**(1)**
Funds withheld liabilities	**(12)**	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

AS AT DEC. 31 US$ MILLIONS	2020 FVTPL[1]	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ —	$ —	$ 16	**$ 16**
Cash equivalents	—	—	19	**19**
Total cash and cash equivalents	**—**	**—**	**35**	**35**
Derivatives				
Foreign exchange forwards	5	—	—	**5**
Bond futures	2	—	—	**2**
Total derivative assets	**7**	**—**	**—**	**7**
Bonds				
Government	372	29	—	**401**
Corporate and other	732	36	—	**768**
Total debt securities	**1,104**	**65**	**—**	**1,169**
Total preferred shares	—	3	—	**3**
Total loans and receivables	—	—	21	**21**
Total investments	**1,104**	**68**	**21**	**1,193**
Funds withheld liabilities	**(12)**	**—**	**—**	**(12)**

1. All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition except for derivative assets and liabilities, which are financial assets that are held for trading.

The Company assesses that the carrying value of the financial assets measured by amortized cost approximates their fair value.

The fair value of investments, excluding common shares, preferred shares and cash and cash equivalents, are shown by contractual maturity of investments.

AS AT DEC. 31 US$ MILLIONS	2021	2020
Terms to maturity:		
Bonds:		
Within 1 year	**$ 1,223**	$ 31
1-3 years	**50**	46
4-5 years	**116**	40
Over 5 years	**2,167**	1,052
Private debt:		
Within 1 year	**96**	—
1-3 years	**—**	—
4-5 years	**—**	—
Over 5 years	**112**	—
Loans and receivables		
Within 1 year	**170**	—
1-3 years	**117**	3
4-5 years	**116**	—
Over 5 years	**236**	18
Total	**$ 4,403**	$ 1,190

AFS investments and investments measured at amortized cost are individually evaluated for impairment in establishing the allowance for impairment. For the year ended December 31, 2021, the Company did not incur any impairment expense (December 31, 2020 – $Nil).

b) Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13 Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy, excluding financial assets and financial liabilities that are carried at amortized cost.

AS AT DEC. 31 US$ MILLIONS	2021 Level 1	 Level 2	 Level 3	 Total
Financial assets				
Fair value through profit or loss:				
Bonds	$ —	$ 1,963	$ —	**$ 1,963**
Common shares	243	—	—	**243**
Preferred shares	4	—	—	**4**
Derivative assets	9	137	—	**146**
Reinsurance funds withheld	—	4,650	—	**4,650**
Available for sale:				
Bonds	1,165	428	—	**1,593**
Private debt	—	—	208	**208**
Common shares	1	31	—	**32**
Preferred shares	3	1	10	**14**
Private equity and other	—	—	247	**247**
Total financial assets	**$ 1,425**	**$ 7,210**	**$ 465**	**$ 9,100**
Financial liabilities				
Fair value through profit or loss:				
Derivative liabilities	—	(1)	—	**(1)**
Funds withheld liabilities	—	(12)	—	**(12)**
Total financial liabilities	**$ —**	**$ (13)**	**$ —**	**$ (13)**

AS AT DEC. 31 US$ MILLIONS	2020 Level 1	 Level 2	 Total
Financial assets			
Fair value through profit or loss:			
Bonds	$ —	$ 1,104	**$ 1,104**
Derivative assets	2	5	**7**
Available for sale:			
Bonds	—	65	**65**
Preferred shares	3	—	**3**
Total financial assets	**$ 5**	**$ 1,174**	**$ 1,179**
Financial liabilities			
Fair value through profit or loss:			
Funds withheld liabilities	—	(12)	**(12)**
Total financial liabilities	**$ —**	**$ (12)**	**$ (12)**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset	Valuation Techniques and Key Inputs
Bonds	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Derivative assets/Derivative liabilities	Foreign currency forward contracts—discounted cash flow model—forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Valuation model is based on interest rate contracts—discounted cash flow model—forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.
Warrants	Valuation model is based on intrinsic value calculated by the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
Reinsurance funds withheld	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

The Company performs initial and ongoing analysis and review of the valuation techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the valuation assumptions are reasonable. The Company analyzes and reviews the data, assumptions and valuation model to ensure that the fair value represents a reasonable estimate as at reporting period end and to monitor controls around fair value measurement, which includes quantitative and qualitative analysis and is overseen by the Company's investment and accounting personnel.

Fair values determined using valuation models requiring the use of unobservable inputs (Level 3 financial assets and liabilities) include assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those unobservable inputs, the Company uses observable external market inputs such as interest rate yield curves, currency rates and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement of Level 3 financial instruments:

Type of Asset	**Valuation Techniques**	**Significant Unobservable Inputs**	**Significant unobservable inputs and relationship of unobservable inputs to fair value**
Private equity	Discounted cash flows	• Future cash flows The future cash flows are based on cash flows flowing to the underlying investment • Discount rate The discount rate reflects the inherent risk of the underlying investment	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in discount rate increase (decrease) fair value
Private debt	Discounted cash flows	• Future cash flows The future cash flows include expected interest and principal payments. • Discount rate The discount rate reflects the credit spreads used and the liquidity conditions of the debt instrument.	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in discount rate increase (decrease) fair value

The following table presents the change in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2021 and 2020:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Balance, beginning of year	**$ —**	$ —
Fair value changes in other comprehensive income	**4**	—
Additions	**1,021**	—
Disposals	**(8)**	—
Balance, end of year	**$ 1,017**	**$ —**

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2021 and 2020.

c) Net investment income

Net investment income is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2021	2020	2019
Interest income			
Cash and cash equivalents	**$ 1**	$ —	$ —
FVTPL investments	**51**	28	19
AFS investments	**12**	2	1
Loans and receivables	**5**	—	—
Total interest income	**69**	30	20
Realized gains on investments and derivatives			
FVTPL investments	**3**	3	10
Derivatives	**14**	—	—
AFS investments	**2**	—	—
Foreign exchange gain/loss	**9**	—	—
Total realized gains on investments and derivatives	**28**	3	10
Unrealized gains (losses) on investments and derivatives			
FVTPL investments	**(60)**	46	26
Derivatives	**27**	6	1
Total unrealized gains (losses) on investments and derivatives	**(33)**	52	27
Investment manager fees	**(4)**	(1)	—
Net investment income	**$ 60**	$ 84	$ 57

d) Net investment results from funds withheld

Net investment results from funds withheld is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Interest income			
FVTPL investments	**$ 29**	$ —	$ —
Total interest income attributable to funds withheld	**29**	—	—
Realized losses on investments and derivatives			
FVTPL investments	**(2)**	—	—
Foreign exchange losses	**(4)**	—	—
Total realized losses on investments and derivatives attributable to funds withheld	**(6)**	—	—
Unrealized losses on investments and derivatives			
FVTPL investments	**(19)**	—	—
Foreign exchange losses	**(1)**	—	—
Total unrealized losses on investments and derivatives attributable to funds withheld	**(20)**	—	—
Other investment income	**75**	—	—
Net investment results from funds withheld	**$ 78**	**$ —**	**$ —**

e) Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, bond forwards, currency swaps, interest rate swaps and warrants. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments.

Foreign exchange forwards, bond forwards, currency swaps, interest rate swaps and warrants are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default. As at December 31, 2021, the derivative counterparty credit risk was $146 million (2020 – $7 million) and the counterparties credit rating was A- or higher (2020 – A+ or higher).

Notional principal by terms of maturity and the fair value of derivatives are presented in the table below.

AS AT DEC. 31, 2021
US$ MILLIONS

	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount: Within 1 year	1-3 years	4-5 years	Over 5 years	Notional principal
Exchange traded								
Bond futures	$ 9	$ —	$ 22	$ 730	$ —	$ —	$ —	$ 730
Over-the-counter								
Foreign exchange forwards	10	—	1	787	59	—	—	846
Warrants	—	—	—	1	—	—	—	1
Currency swaps	—	—	—	—	10	—	8	18
Interest rate swaps	—	(1)	—	—	—	1	71	72
Options	127	—	—	5,802	—	—	—	5,802
Total	**$ 146**	**$ (1)**	**$ 23**	**$ 7,320**	**$ 69**	**$ 1**	**$ 79**	**$ 7,469**

[1]Derivative liabilities are included in the Note 9 Accounts Payable and Other.

AS AT DEC. 31, 2020
US$ MILLIONS

	Fair value asset	Fair value liabilities	Collateral pledged	Notional amount: Within 1 year	1-3 years	4-5 years	Over 5 years	Notional principal
Exchange traded								
Bond futures	$ 2	$ —	$ 13	$ 192	$ —	$ —	$ —	$ 192
Over-the-counter								
Foreign exchange forwards	5	—	—	235	—	—	—	235
Interest rate swaps	—	—	—	—	—	—	7	7
Total	**$ 7**	**$ —**	**$ 13**	**$ 427**	**$ —**	**$ —**	**$ 7**	**$ 434**

The Company monitors the fair values of bond futures and forwards on a daily basis, with additional cash collateral obtained or refunded as necessary.

Bond futures, foreign exchange forwards and options mature in less than 1 year. Interest rate swaps mature in over 4 years and settle on a semi-annual basis. Derivatives are measured at FVTPL and are reported on the Combined Consolidated Statements of Financial Position as derivative assets or derivative liabilities. The fair value of exchange-traded futures contracts is determined based on Level 1 inputs. OTC foreign currency forwards, bond forwards, currency swaps and interest rate swaps are valued on the contract notional amounts, which is the difference between contract and market rates. These inputs are derived from observable market data and as such are classified as Level 2 instruments.

For OTC derivatives, collateral is collected from and pledged to derivative counterparties according to the Credit Support Annexes, which form part of the International Swaps and Derivatives Associations' master agreements, when the exposure exceeds a specified threshold. For exchange-traded derivatives, their positions are margined on a daily basis (both initial margin and variation margin) subject to derivative clearing agreements with the exchanges and clearing houses. As at December 31, 2021, the Company has pledged $23 million of financial assets as collateral under the terms of the derivative contracts (2020 – $13 million).

For an analysis of the Company’s risks arising from financial instruments and the policies and procedures to manage these risks refer to Note 12 Risk Management.

f) Securities sold under repurchase agreements

Securities sold under repurchase agreements are accounted for as collateralized borrowing transactions, are measured at amortized cost and are recorded at the amounts at which the securities were initially sold. Under these agreements, the Company may sell securities from its portfolio for periods of time. In exchange, the Company obtains possession of cash from the financial institution with market values equal to the principal amount sold under these agreements. As at December 31, 2021, the Company did not have amounts outstanding under repurchase agreements (2020 – $Nil). For the year ended December 31, 2021, interest expense paid related to the use of the repurchase agreements was $Nil (2020 – $Nil).

The cash received by the Company is equal to the market value of the securities sold on the trade date. As a result, there is no significant exposure to credit risk associated with these agreements.

g) Summary of investments

AS AT DEC. 31 US$ MILLIONS	2021 Carrying Amount	2021 Percent	2020 Carrying Amount	2020 Percent
Corporate debt securities				
Corporate bonds	**$ 1,892**	**37 %**	$ 788	66 %
Private debt	**208**	**4 %**	—	— %
Private loans	**517**	**10 %**	—	— %
Mortgages	**122**	**3 %**	—	— %
	2,739	**54 %**	788	66 %
Government bonds				
United States government	**1,271**	**25 %**	25	2 %
Canada government	**61**	**1 %**	35	3 %
Canada provincials	**332**	**7 %**	341	28 %
	1,664	**33 %**	401	33 %
Derivatives				
Foreign exchange forwards	**10**	**— %**	5	— %
Bonds futures	**9**	**— %**	2	— %
Options	**127**	**3 %**	—	— %
	146	**3 %**	7	1 %
Equity				
Preferred shares	**18**	**— %**	3	— %
Common shares	**275**	**5 %**	—	— %
Private equity and other	**247**	**5 %**	**—**	**— %**
	540	**10 %**	**3**	**— %**
Total	**$ 5,089**	**100 %**	$ 1,199	100 %

h) Solely Payments of Principal and Interest ("SPPI") Disclosure

As noted in Note 2 (aj)(ii), the Company has taken the temporary exemption to apply IFRS 9 until IFRS 17 is adopted on January 1, 2023 on the basis that the Company’s activities are predominantly connected with insurance, and it has not previously applied IFRS 9. The percentage of the total carrying amount of the liabilities connected with insurance relative to the total carrying amount of all its liabilities was less than or equal to 90 per cent but greater than 80 per cent, and the Company determined that it did not engage in a significant activity unconnected with insurance.

As a consequence of deferring the introduction of IFRS 9, we will provide additional disclosures until we apply the standard for the first time in order to compare our presentation of investments and other financial instruments with those of companies that already apply IFRS 9.

The following additional disclosure, required by IFRS 4 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company's financial assets as of and for the years ended December 31, 2021 and December 31, 2020, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are SPPI on the principal amount outstanding and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("Non-SPPI").

	SPPI		Non-SPPI	
AS AT DEC. 31, 2021 US$ MILLIONS	Fair value	Change in fair value	Fair value	Change in fair value
Financial assets				
Debt securities	$ 1,884	$ 2	$ 2,023	$ 2
Equities	—	—	397	—
Loans and receivables	639	—	—	—
Total	**$ 2,523**	**$ 2**	**$ 2,420**	**$ 2**

	SPPI		Non-SPPI	
AS AT DEC. 31, 2020 US$ MILLIONS	Fair value	Change in fair value	Fair value	Change in fair value
Financial assets				
Debt securities	$ 43	$ 1	$ 1,125	$ —
Equities	—	—	3	—
Loans and receivables	21	—	—	—
Total	**$ 64**	**$ 1**	**$ 1,128**	**$ —**

The following additional disclosure, required by IFRS 4 for eligible insurers, presents the credit risk ratings of SPPI financial assets:

AS AT DEC. 31, 2021 US$ MILLIONS	Credit risk	Carrying value (Fair value)	% of fair value
Debt securities			
AAA	Low	$ 113	5 %
AA	Low	19	1 %
A	Low	1,203	48 %
BBB	Low	100	4 %
BB	Other	104	4 %
B	Other	32	1 %
Unrated	Other	313	12 %
Loans and receivables			
A	Low	$ 60	2 %
BBB	Low	36	1 %
BB	Other	152	6 %
Unrated	Other	391	16 %
Total		**$ 2,523**	**100 %**

AS AT DEC. 31, 2020 US$ MILLIONS	Credit risk	Carrying value (Fair value)	% of fair value
Debt securities			
AAA	Low	$ 22	34 %
AA	Low	7	11 %
A	Low	10	16 %
BBB	Low	4	6 %
Loans and receivables			
Unrated	Other	$ 21	33 %
Total		**$ 64**	**100 %**

NOTE 4. ACCOUNTS RECEIVABLE AND OTHER

The Company's accounts receivable and other consist of the following:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Reinsurance receivable	**$ 12**	$ 2
Accrued investment income	**21**	7
Due from related party	**10**	—
Other assets	**4**	4
Total accounts receivable and other	**$ 47**	$ 13

In 2021 and 2020, reinsurance receivable relates to amounts recoverable from third-party reinsurers and cedants. All amounts are expected to be settled within a year.

NOTE 5. PROPERTY AND EQUIPMENT

The Company's property and equipment consists primarily of a ROU asset. As at December 31, 2021 the property and equipment balance was $2 million (2020 - $2 million). The additions, amortization and disposals to property and equipment during 2021 were $Nil (2020 - $1 million, $Nil, $Nil).

NOTE 6. INTANGIBLE ASSETS

In 2021, the Company recognized $3 million of computer software as intangible assets, which are not yet available for use as at December 31, 2021. Intangible assets not yet available for use are assessed for impairment irrespective of whether there is any indication of impairment. For the year ended December 31, 2021, the Company did not incur an impairment expense (2020 – $Nil).

NOTE 7. DEFERRED ACQUISITION COSTS

The following table presents movement in deferred acquisition costs and the impact on expenses:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020
Deferred acquisition costs, beginning of year	**$ —**	$ —
Costs capitalized under reinsurance contracts	**775**	—
Amortization and other	**1**	—
Deferred acquisition costs, end of year	**$ 776**	**$ —**

NOTE 8. EQUITY ACCOUNTED INVESTMENTS

The following table presents the change in the Company's investments in associates during the year:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	
Balance, beginning of year	$ —
Additions	294
Share of net income	8
Share of comprehensive income	44
Dividends received	(2)
Balance, end of year	**$ 344**

The addition of $294 million during the year relates to the Company's equity accounted investment in AEL Holdings. AEL Holdings, through its wholly-owned subsidiaries, is a leading issuer of fixed index annuities through independent agents, banks and broker-dealers in the United States with its corporate headquarters in Des Moines, Iowa.

The Company originally acquired a 9.5% interest in AEL Holdings at the time of Spin-Off and the investment was treated as a financial asset. During the third quarter, as a result of a firm commitment to enter into the reinsurance agreement with American Equity Investment Life Insurance Company (“AEILIC”), a subsidiary of AEL Holdings, management concluded that they had significant influence over AEL Holdings, and as such, derecognized the financial asset and recorded an equity accounted investment. As at December 31, 2021 the Company's ownership interest was 9.8% as a result of common share repurchases and cancellations completed by AEL Holdings during the period.

The Company accounts for AEL Holdings using the equity method of accounting by recognizing its share of income and OCI from its 9.8% ownership interest in the equity accounted investment one quarter in arrears, which is the most up to date information available to the Company. AEL Holdings does not present a classified balance sheet. The summarized financial information below represents amounts in AEL Holdings' financial statements, adjusted by the Company for equity accounting purposes:

AS AT AND FOR THE SIX MONTHS ENDED SEP. 30, 2021 US$ MILLIONS		
Total assets	$	78,318
Total liabilities		71,943
Accumulated other comprehensive income		1,957
Other stockholders' equity		4,418
Total revenues		1,618
Total expenses		(1,491)
Income tax expense		(29)
Preferred stock dividends		(22)
Net income		76
Other comprehensive income		452

AEL Holding"s shares are traded on the New York Stock Exchange. The fair value of the Company's shares in AEL Holdings is $354 million based on the quoted price as at December 31, 2021. The Company received $2 million of dividends from AEL Holdings during the year.

NOTE 9. ACCOUNTS PAYABLE AND OTHER

The Company's accounts payable and other consist of the following:

AS AT DEC. 31 US$ MILLIONS		**2021**		2020
Accounts payable and accrued liabilities	**$**	**57**	$	4
Derivative liabilities		**1**		—
Other		**7**		2
Total accounts payable and other	**$**	**65**	$	6

NOTE 10. INSURANCE RESERVES

The Company's insurance reserves are as follows:

AS AT DEC. 31 US$ MILLIONS		**2021**		2020
Gross	**$**	**8,497**	$	1,339
Reinsurance assets		**(169)**		(190)
Total insurance reserves	**$**	**8,328**	$	1,149

Reinsurance assets reflect immediate and deferred annuity payments ceded under the longevity reinsurance and quota share reinsurance arrangements.

a. Nature and composition

Reinsurance

NER SPC's insurance reserves represent Fixed Indexed Annuity ("FIA") contracts that provide contract owners the possibility of earning returns linked to the performance of a specified market index, predominantly the S&P 500 Index, while providing principal protection. The contracts include a provision for a minimum guaranteed surrender value in accordance with applicable law. The products allow policyholders to allocate funds periodically among several different crediting strategies, including index-based strategies and a traditional fixed rate strategy. High surrender charges apply for early withdrawal.

The policyholder account value of the FIA is equal to the sum of deposit paid, premium bonus, and index credits based in the relevant market index (subject to cap, spread and/or participation rate which can typically be reset) less any fees for riders and any withdrawals taken to-date.

NER Ltd.'s insurance reserves represent multi-year guaranteed annuity contracts that provide owners a guaranteed rate of return. Premiums and credited interest are protected from market volatility, which provides long-term financial security and predictability for policyholders.

PRT

The insurance reserves represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not reached pensionable age. The Company's insurance contracts are a mixture of group annuity "buy-in" policies, where the policyholder is the pension fund, and group annuity "buy-out" policies, where the policyholder is the administrator. The Company provides group annuity policies across Canada.

b. Valuation assumptions

Reinsurance

NER SPC's insurance reserves are based on actuarial assumptions related to the underlying policies' terms, lives of the policies, duration of the contract, yield on investments supporting the liabilities, level of expenses. Significant assumptions also include policyholder behavior assumptions, such as surrender, lapse, withdrawal rates. NER SPC uses a combination of actual and industry experience when setting and updating policyholder behavior assumptions. Assumptions are at best estimate with margins for adverse deviation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

NER Ltd.'s insurance reserves have no actuarial assumptions as the reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

PRT

The insurance reserves represent the present value of the future annuity payments and expenses measured in accordance with the CALM described in Note 2 Summary of significant accounting policies, section (r) Insurance Reserves. It incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation, and inflation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

The principal valuation assumptions and the methods for arriving at these valuation assumptions are outlined below.

Longevity

Mortality assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors including, but not limited to, gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data comprises of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

Mortality improvement assumptions follow the prescribed mortality improvement scales issued by the CIA.

Investment returns

Projected cash flows from the current assets and liabilities are used in CALM to determine insurance reserves. Assumptions are made regarding rates of returns on supporting assets. Projected cash flows from assets used in the actuarial calculations are reduced to provide for potential asset default losses. The calculation for future credit losses on assets is based on the credit quality underlying the asset portfolio.

Other assumptions

The internal costs of maintaining the insurance reserves, the fees paid to third-party administrators engaged to manage payments under the in-force policies, and fees due to reinsurers and investment management expenses, as well as inflation are factored into the calculation of the insurance reserves where applicable.

c. Net change in insurance reserves

The following table summarizes the movement between insurance reserves for the years ended December 31, 2021 and 2020 by its major components:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	**Gross reserve**	**Reinsurance assets**	**Net**
Beginning of year	$ 1,339	$ 190	**$ 1,149**
Changes during the year			
New business	7,180	—	**7,180**
Normal changes	(310)	(20)	**(290)**
Management actions and changes in assumptions	282	(2)	**284**
	7,152	(22)	**7,174**
Impact of foreign exchange[1]	6	1	**5**
Balance at end of year	**$ 8,497**	**$ 169**	**$ 8,328**

FOR THE YEAR ENDED DEC. 31 2020 US$ MILLIONS	**Gross reserve**	**Reinsurance assets**	**Net**
Beginning of year	$ 856	$ 197	**$ 659**
Changes during the year			
New business	414	—	**414**
Normal changes	67	(9)	**76**
Management actions and changes in assumptions	(24)	(2)	**(22)**
	457	(11)	**468**
Impact of foreign exchange[1]	26	4	**22**
Balance at end of year	**$ 1,339**	**$ 190**	**$ 1,149**

1. Foreign currency translation reported as a separate component of other comprehensive income. See Note 2(ac) Foreign currencies

Under fair value accounting adopted by RPT business, movement in the fair value of the supporting assets is a major factor in the movement of insurance reserves. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance reserves associated with the change in the value of the supporting assets is included within normal changes above. The insurance reserve from reinsurance activities is not sensitive to the fair value of the supporting assets under US GAAP reserve methodology.

In 2021, the gross reserves consist of $2.2 billion from BAC, $1.6 billion from NER Ltd. and $4.7 billion from NER SPC. The main contributors to the increase in net insurance reserves were the impact of new business of $$7.2 billion partially offset by reinsurance transactions of $22 million. Management actions and changes in assumptions increased reserves by $284 million. The increase was primarily due to revisions to expense assumptions to reflect the most recent experience analysis, offset by revisions to interest rate risk assumptions and the execution of longevity swaps.

On October 8, 2021, NER SPC closed a retrocession agreement with an effective date of July 1, 2021 with an insurance company which was the Company's associate. At the effective date, NER SPC assumed embedded derivative insurance reserves in the amount of $193 million which subsequently increased to $204 million at December 31, 2021.

In 2020, the entire gross reserve related to BAC. The main contributors to the increase in net insurance contract liabilities were the impact of new business of $414 million and the impact of normal changes of $76 million. Management actions and changes in assumptions lowered the reserves by $22 million. The decrease was primarily due to modelling enhancements related to the reinvestment assumption and asset cash flows.

The Company’s risks arising from insurance contract liabilities are principally interest rate and longevity. The policies and procedures to manage these risks and sensitivity analysis are described in Note 12 Risk Management.

d. Reinsurance ceded results

Any gains or losses on reinsurance transactions are recognized in income on inception of the transactions and are included in change in insurance contract liabilities ceded in the Combined Consolidated Statements of Operations. In December 2020, BAC entered into two longevity reinsurance transactions which resulted in after-tax losses on inception of approximately $1 million. In December 2021, BAC entered into another longevity reinsurance transaction which resulted in an after-tax loss on inception of approximately $1 million.

As at December 31, 2021, BAC’s total expected fixed payments and actual costs of benefit expenses to be reimbursed under longevity reinsurance transactions used in valuing reinsurance assets were $1.1 billion and $1.1 billion (2020 - $493 million and $483 million) respectively. The difference between fixed payments and actual costs on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations.

Reinsurance fees in respect of longevity reinsurance arrangements are recognized when due to reinsurers and are included in premiums ceded in the Combined Consolidated Statements of Operations:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Reinsurance fees in respect of longevity reinsurance arrangements	**$ 1**	$ —

NOTE 11. SHARE CAPITAL

The Company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $39.74 per share;
ii. 500,000 Class B Limited Voting Shares with a par value of $39.74 per share;
iii. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;
iv. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;
v. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;
vi. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;
vii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the Company as at December 31, 2021 and December 31, 2020 comprises the following:

	December 31, 2021		December 31, 2020	
	Number of shares	Value	Number of shares	Value
Issued				
Class A exchangeable shares	10,877,989	$ 535	—	$ —
Class B shares	24,000	1	—	—
Class C shares	23,544,548	963	—	—
Share capital		**$ 1,499**		**$ —**

NOTE 12. RISK MANAGEMENT

The management of risk is central to the success of the business. The Company seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in business processes.

The Board has overall responsibility for the management of risk and is supported through formal committees of the Board including the Risk Committee.

The Company manages risk by applying the principles and guidelines outlined in the enterprise risk management framework presented to the BAM Re Board (the “ERM Framework”). The ERM Framework establishes the overall risk management framework that includes the following:

- Risk inventory – identifies and defines the risks arising from the Company’s business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;

- Risk appetite – determines the nature and amount of risk the Company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;

- Risk governance – establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the Company; and

- Risk management process – codifies a consistent approach to the identification, assessment, measurement, control, monitoring and reporting of risks faced by the Company.

As part of the risk governance framework, the Company operates a three lines of defense model. Under this model, the accountabilities of each line of defense are:

- First line – business management: day to day responsibility for managing and identifying risks, ensuring activities are within risk appetite and established policies, and designing and implementing effective internal controls;

- Second line – risk management function: establish enterprise governance, risk and control strategies and policies; provide oversight and independent effective challenge to the first line, as well as training, tools and advice; and

- Third line – internal audit: independently verify the adequacy and effectiveness of the first and second lines of defense, and that the enterprise risk management framework is operating effectively.

An Own Risk and Solvency Assessment ("ORSA") is undertaken by BAC at least annually. The ORSA involves a comprehensive assessment of the Company's risks, capital needs and solvency position, as well as solvency forecasting across a range of scenarios including plausible stresses that could jeopardize the Company's business plans. BAC also evaluates its exposure to sustained adverse scenarios through other stress testing techniques such as the Financial Condition Testing ("FCT").

A Commercial Insurers' Solvency Self-Assessment ("CISSA") is undertaken by NER Ltd. at least annually. The primary purpose of the CISSA exercise is to allow NER Ltd. to incorporate an analysis of the internal capital needs into the risk management frameworks. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term, including factoring in the impact of catastrophic shocks. The CISSA framework provides a perspective of the capital resources necessary to achieve NER Ltd.'s business strategies and remain solvent given their risk profile, as well as insight into the risk management and governance procedures surrounding these processes.

The Company has established recurring routines for monitoring and reporting on risks. Risk management reports are provided to management on a monthly basis and to the Board and Risk Committee on a quarterly basis. The reports include risk exposures measured against Board-approved risk appetite tolerances, and where relevant, management actions are identified to ensure risk mitigation and controls are effective.

The principal risk factors that affect the Company's operations and financial condition include financial risks such as market risk, credit risk and liquidity risk, insurance risk and other risks such as regulatory risk and operational risk.

The following sections describe the primary financial risks and associated risk management strategies in place that affect the Company's operations and financial condition.

a. Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, or credit spreads.

The Company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and by holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures.

Financial instruments held by the Company that are subject to market risk include other financial assets, borrowings and derivative instruments.

1. *Interest rate risk*

The Company manages interest rate risk through an asset liability management ("ALM") framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance contract liabilities. Within the context of the ALM framework, the Company uses derivatives including interest rate swaps and bond futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

The Investment Policy outlines the duration constraints that have been approved by the Board. In operationalizing these constraints, considerably more confining duration-based targets have been established that are closely monitored and reported to management in monthly business updating meeting and to the Board and Risk Committees on a quarterly basis.

The following table shows the sensitivity to changes in interest rates:

	2021		2020	
AS AT DEC. 31 US$ MILLIONS	**50 bps increase**	**50 bps decrease**	50 bps increase	50 bps decrease
Movement in liabilities	**$ 103**	**$ (105)**	$ 63	$ (63)
Movement in assets	**(248)**	**329**	(62)	62
Tax effect	**(4)**	**4**	—	—
Impact on comprehensive income	**$ (149)**	**$ 228**	$ 1	$ (1)

The Investment Policy is reviewed at least annually and approved by the Board.

2. *Foreign exchange risk*

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the USD.

The Company manages foreign exchange risk using foreign exchange forwards. The Investment Policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

The Company holds financial instruments with net unmatched exposures in several currencies, changes in the translated value of which are recorded in net income. As at December 31, 2021, a 1% fluctuation in USD against non-USD currencies would have an impact of approximately $1 million on net income and $1 million on OCI (2020 – $Nil million on net income and $Nil on OCI).

b. Credit risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The Company is primarily exposed to credit risk through its investments in debt securities and reinsurance funds withheld.

The Company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy.

1. *Asset quality*

The following table summarizes the external credit ratings for cash and cash equivalents and investments:

AS AT DEC. 31, US$ MILLIONS	2021		2020	
Cash and cash equivalents	**$ 393**	**4 %**	$ 35	3 %
Bonds and other debt securities				
AAA	512	5 %	409	33 %
AA	55	1 %	11	1 %
A	1,516	15 %	121	10 %
BBB	1,306	13 %	617	50 %
BB	151	1 %	10	1 %
B	54	— %	1	— %
Unrated	170	2 %	—	— %
	3,764	**37 %**	1,169	95 %
Preferred shares				
P2	7	— %	3	— %
BB	1	— %	—	— %
Unrated	10	— %	—	— %
	18	**— %**	3	— %
Common shares				
A+	243	2 %	—	— %
Unrated	32	**— %**	—	— %
	275	**2 %**	—	— %
Other equity				
Unrated	**247**	**2 %**	—	— %
Private loans				
A	60	1 %	—	— %
BBB	55	1 %	—	— %
BB	151	2 %	—	— %
Unrated	251	3 %	—	— %
	517	**7 %**	—	— %
Mortgages				
Unrated	122	1 %	21	2 %
	122	**1 %**	21	2 %
Reinsurance Funds Withheld				
AAA	819	8 %	—	— %
AA	228	2 %	—	— %
A	891	9 %	—	— %
BBB	2,484	26 %	—	— %
BB	105	1 %	—	— %
B	30	— %	—	— %
Unrated	93	1 %	—	— %
	4,650	**47 %**	—	— %
Total cash and cash equivalents and investments	**$ 9,986**	**100 %**	$ 1,229	100 %

The Company's overall target credit quality for the portfolio is a credit rating of BBB+. As at December 31, 2021 and 2020, the Company met this requirement.

2. *Concentration*

Concentrations of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics.

Bonds

The following table provides the fair value of investments by groups of issuers of bonds:

	2021		2020	
Government bond holdings	$ 1,664	47 %	$ 401	34 %
Corporate and other bond holdings	1,892	53 %	768	66 %
Total bond holdings	**$ 3,556**	**100 %**	$ 1,169	100 %

The following table discloses the Company's top 5 holdings of issuers (excluding governments), as well as exposure to the largest single issuer of corporate bonds.

	2021	2020
Exposure to the top 5 largest issuers of corporate bonds	**$ 161**	$ 90
% of total cash and cash equivalents and investments	**3 %**	7 %
Exposure to the largest single issuer of corporate bonds	**32**	18
% of total cash and cash equivalents and investments	**1 %**	2 %

3. *Derivative counterparties*

Credit risk also arises in respect of derivative contracts to the extent that there is the potential for the counterparties to default on their obligations. To manage this risk, derivative transactions are limited to an approved list of counterparties and in some cases are fully collateralized with highly rated instruments. The derivative counterparty risk as of December 31, 2021 and 2020 was $146 million and $7 million, respectively. As at December 31, 2021, these counterparties have a credit rating of A or higher (2020 - A+ or higher).

4. *Reinsurance counterparties*

BAC has reinsurance contracts with third-party registered reinsurers and one third-party unregistered reinsurer with a total exposure of $169 million at December 31, 2021 (2020 – $190 million). To manage counterparty risk, reinsurance transactions are limited to an approved list of reinsurers with concentration limits to any single reinsurer.

Under the reinsurance contracts with third-party unregistered reinsurers, highly rated assets are required to be pledged to the Company to fully support the ceded reserves. The Company maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, the Company has the right to liquidate or take legal possession of these assets, in a timely manner.

As at December 31, 2021, the credit ratings of the reinsurers are A+ (2020 - A+).

NER Ltd. and NER SPC have reinsurance contracts with third-party cedants with a total exposure of $6,253 million at December 31, 2021 (2020 – $Nil).

As at December 31, 2021, the credit ratings of the third-party cedants are A- or higher.

5. *Impaired Assets*

The Company reviews all reinsurance assets at each reporting date and determined that there was no evidence of impairment as at December 31, 2021 and 2020.

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

Cash outflows primarily consist of benefit payments to policyholders and to a lesser extent, operating expenses and settlement of derivative contracts.

The following table sets out the expected maturity profile of the Company's financial liabilities:

AS AT DEC.31, 2021 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Accounts payable and other	$ 65	$ —	$ —	$ —	**$ 65**
Due to related party	467	—	—	—	**467**
Reinsurance payable	21	14	15	25	**75**
Corporate borrowings	656	37	—	—	**693**
Insurance reserves	368	769	792	6,568	**8,497**
Deferred revenue	4	7	7	64	**82**
Liabilities of structured entities	—	—	—	167	**167**
Funds withheld liabilities	12	—	—	—	**12**
Total	**$ 1,593**	**$ 827**	**$ 814**	**$ 6,824**	**$ 10,058**

AS AT DEC.31, 2020 US$ MILLIONS	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Accounts payable and other	$ 5	$ 1	$ —	$ —	**$ 6**
Insurance reserves	21	85	85	1,148	**1,339**
Funds withheld liabilities	12	—	—	—	**12**
Total	**$ 38**	**$ 86**	**$ 85**	**$ 1,148**	**$ 1,357**

To manage liquidity risk, the Company as part of its ALM framework, purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to closely match those of the annuity policy liabilities. The Company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

In addition, the company has a credit agreement with Brookfield Asset Management as lender, providing for a three-year $200 million revolving credit facility, and an agreement for a $150 million third-party revolving credit facility. As at December 31, 2021 there was $nil drawn on the Brookfield Credit Agreement (December 31, 2020 – $Nil), and $37 million drawn on the third-party revolving credit facility (December 31, 2020 – $Nil).

In addition, a subsidiary of the the Company has access to a CAD$150 million repurchase agreement (2020 - CAD$150 million). As at December 31, 2021, there were no amounts outstanding under the repurchase agreement (2020 – $Nil).

d. Insurance risk

PRT

Insurance risk is the risk that actual experience related to benefit payments and expenses does not emerge as expected. The Company is primarily exposed to longevity risk.

Longevity risk is the risk that mortality experience occurs at lower rates than that assumed at the time of pricing which exposes the Company to benefit payments that will be paid for longer periods than anticipated.

Longevity assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors established at the time of pricing. These factors take into consideration the characteristics of the annuitants including but not limited to gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data is comprised of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

These inputs and analytics support the Company's assessment of longevity risk.

To reduce longevity risk within our PRT business, the Company enters into longevity reinsurance transactions with third party reinsurers. Under these contracts, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to the Company. As at December 31, 2021, the Company has entered into longevity reinsurance contracts and has reinsured approximately 71% of its longevity risk (2020 – 54%).

The following table shows the sensitivity to changes in longevity risk. These sensitivities reflect the impact of any applicable ceded reinsurance arrangements.

AS AT DEC. 31, 2021 US$ MILLIONS	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
Impact on comprehensive income	**$ 10**	**$ (9)**	**$ (12)**	**$ 13**

AS AT DEC. 31, 2020 US$ MILLIONS	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
Impact on comprehensive income	**$ 6**	**$ (6)**	**$ (8)**	**$ 8**

Reinsurance

NER SPC reinsures fixed indexed annuity products only. Generally, the assumptions that are the most sensitive for fixed indexed annuity products are changes to investment yields, utilization rates, partial withdrawal rates, lapse rates and mortality. However, our reserves are less sensitive to changes in assumption at this point in time considering the mechanics of our reserving process.

At treaty inception, projected base contract cash flows are bifurcated into two parts: a host liability that reserves for contractually guaranteed payments and an embedded derivative that represents the value of payments in excess of guarantees; for the current treaty, the host liability makes up the vast majority of the reserve liability. The host liability after inception is calculated using an effective yield approach based on a host accrual rate that equates the present value of actual and projected future guaranteed benefit payments to the initial host liability. The host accrual rate is revised as experience emerges, actual cash flows replace projected, and best estimate assumptions about the future are updated. Given this financial year end is only six months following treaty inception, the impact of rolling forward at a different accrual rate recalibrated from changing assumptions is minimized by the short period.

Investment yield risk is a shift in market interest rates associated with investment fixed income instruments. The embedded derivative, measured at fair value, is most sensitive to investment yields as this directly affects its discount rate.

The following table shows the impact on the overall liability to changes in mortality (as described in PRT sensitivity) and changes to investment yields:

AS AT DEC. 31, 2021 US$ MILLIONS	Mortality Rate 10% Increase	Mortality Rate 10% Decrease	Yield 50 bps Increase	Yield 50 bps Decrease
Impact on comprehensive income	**$ (1)**	**$ 1**	**$ (11)**	**$ 12**

e. Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company’s internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

The Company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board.

Disaster recovery and business continuity plans have also been established to manage the Company’s ability to operate under adverse conditions.

f. Regulatory risk

Regulatory risk stems principally from the risk of changes to the regulatory environment in which the Company operates. To manage this risk, the Company seeks to a have a regular dialogue with regulators to ensure compliance. Furthermore, senior management participates in industry groups and professional bodies to stay apprised of regulatory changes.

NOTE 13. CORPORATE BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by global banks. The total available amount on the credit facilities is $150 million. The credit facilities are available in U.S. and Canadian dollars and advances under the credit facilities bear interest at the specified LIBOR, CDOR, or bankers' acceptance rate plus a spread. The credit facilities have a maturity date of June 28, 2024. As at December 31, 2021, $37 million was drawn on the bilateral credit facilities.

In addition, the Company has a 364-day revolving credit facility for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at December 31, 2021, $656 million was drawn.

The facilities require the Company to maintain a minimum net worth covenant. At at December 31, 2021, the Company was in compliance with its financial covenants.

The Company also has a revolving credit facility with Brookfield Asset Management, as described in Note 1(b)(v) that as at December 31, 2021 permitted borrowings of up to $200 million. As at December 31, 2021, there were no amounts drawn on the facility.

NOTE 14. OPERATING EXPENSES

Operating expenses include the following:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Salaries and benefits expense	**$ 10**	$ 3	$ 3
Professional services	**18**	2	2
Software	**2**	1	1
Sales and capital taxes	**1**	—	—
Licenses and fees	**1**	—	—
Other	**3**	—	—
Total operating expenses	**$ 35**	$ 6	$ 6

NOTE 15. INCOME TAXES

Income taxes are recognized for the amount of taxes payable by the Company's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The Company's income tax expense is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Current tax:			
Current tax on profits for the year	**$ —**	$ 1	$ —
Adjustments in respect of prior years	**—**	—	$ —
Total current tax expenses	**—**	1	—
Deferred tax:			
Origination and reversal of temporary differences	**2**	—	—
Total deferred tax expenses	**2**	—	—
Total income tax expense	**$ 2**	$ 1	**$ —**

The below reconciliation has been prepared using a statutory income tax rate for jurisdictions where the Company's subsidiaries operate.

The Company's income tax expense is reconciled as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income before income tax	**$ (42)**	$ 2	$ 6
Income tax at statutory tax rate	**(11)**	1	2
Tax effect of:			
International operations subject to different tax rates	**13**	—	—
Derecognition (Recognition) of deferred tax assets	**—**	—	(2)
Total income tax expense	**$ 2**	$ 1	$ —

The Company's effective tax rate is different from the Company's statutory income tax rate due to the following differences set out below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Statutory income tax rate	**26.5%**	26.5%	26.5%
Increase (reduction) in rate resulting from:			
International operations subject to different tax rates	**(30.9)%**	15.9 %	— %
Derecognition (recognition) of deferred tax assets	**— %**	— %	(24.7)%
Other	**— %**	(13.0)%	0.7 %
Effective income tax rate	**(4.4)%**	29.4 %	2.5 %

The gross movement on the deferred tax asset is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020
Deferred tax asset, beginning of year	$ —	$ —
Tax booked to income statement	**(2)**	—
Tax booked to balance sheet	**2**	—
Tax booked to equity	**20**	—
Deferred tax assets, end of year	**$ 20**	**$ —**

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Non-capital loss carryforwards	**$ 18**	$ —
Tax credit carryforwards	**2**	—
Deferred tax asset	**$ 20**	**$ —**

Deferred tax asset recognized relates to non-temporary differences relating to non-capital loss carryforwards and tax credit carryforwards. The Company evaluates the deferred tax asset based on, amongst other factors, historical operating results, expectation of future profitability, and the duration of the applicable statutory carryforward periods for tax attributes. Based on the evaluation of the deferred tax assets as of December 31, 2021, the Company determined that the deferred tax assets would be realized within the applicable statutory carryforward period.

NOTE 16. EARNINGS PER SHARE

Basic and diluted earnings per class C share for the year ended December 31, 2021 have been calculated using the weighted average number of class C shares outstanding of 19,903,823, and represent the class C shares outstanding for the period of June 28, 2021 to December 31, 2021.

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS		2021
Net loss for the year	$	(44)
Attributable to:		
Brookfield Asset Management Inc.		5
Class A exchangeable and Class B shareholders		3
Class C shareholders		(52)
Earnings per share per class C share - basic and diluted	**$**	**(2.58)**

NOTE 17. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties.

a) Spin-off related transactions

On April 13, 2021 Brookfield US Holdings Inc. ("BUSHI"), a wholly-owned-subsidiary of Brookfield Asset Management, loaned $10 million to BAM Re Holdings as a non-interest bearing USD denominated demand note. The amount was fully repaid upon completion of the spin-off.

On June 18, 2021, Burgundy Acquisitions I Ltd. ("Burgundy"), a wholly-owned subsidiary of Brookfield Asset Management, sold its 9.1 million common shares of AEL Holdings to NER SPC for fair market value of $291 million.

On June 18, 2021, Brookfield Annuity Holdings Inc. ("BAH") sold its ordinary shares of NER SPC to BAM Re Holdings for fair market value consideration of $5 million. The transaction represents a common control transaction and is recorded at NER SPC's historical carrying value, net of amounts due to related parties, of $5 million. Subsequently, BAH declared and executed a $5 million return of capital on its common shares to Brookfield Asset Management.

On June 18, 2021, BAM Re loaned $25 million to Brookfield International Holdings Inc. ("BIHI"), a wholly-owned subsidiary of Brookfield Asset Management, in exchange for the issuance by BIHI of a demand note in the amount of $25 million.

On June 18, 2021, Brookfield Asset Management advanced cash of $30 million via a non-interest bearing, USD denominated promissory note to the Company. This amount was fully repaid with proceeds of the Spin-off.

On June 24, 2021, Brookfield Asset Management transferred $151 million to the Company in exchange for 3,582,510 BAM Re Class C Non-Voting Shares.

On June 24, 2021, the Company acquired all of the issued and outstanding shares of BAH from its sole shareholder, Brookfield Asset Management, for total consideration of $111 million. The transaction represents a common control transaction and is recorded at BAH's historical carrying value, net of amounts due to related parties, of $110 million.

On June 24, 2021, Brookfield Asset Management sold its limited partnership and general partnership interest in Brookfield Reinsurance Investments L.P. (“BRILP”) to BAM Re Holdings for cash consideration of $40 million. The transaction represents a common control transaction and is recorded at BRILP’s historical carrying value, net of amounts due to related parties, of $43 million.

b) BAM Re agreements

As described in Note 1(b)(iv), Brookfield Asset Management provided to the Company an equity commitment in the amount of $2 billion to fund future growth, which the Company may draw on from time to time. As of December 31, 2021, there was no amount drawn under the equity commitment.

As described in Note 1(b)(v), as of December 31, 2021, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

As described in Note 1(b)(vi), the Company entered into the Support Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil .

As described in Note 1(b)(vii), the Company entered into the Rights Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil .

As described in Note 1(b)(viii), the Company entered into the Administration Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $0.4 million.

As described in Note 1(b)(ix), the Company entered into an Investment Management Agreement with Brookfield Asset Management on June 28, 2021. The base investment management fee for the year ended December 31, 2021 was $4.1 million.

As described in Note 1(b)(x), the Company entered into the Brookfield Licensing Agreement on June 28, 2021. The base fee for the year ended December 31, 2021 was $Nil.

c) Other related party transactions

On March 10, 2020, BAC entered into a lease arrangement with Brookfield Properties (Canada) Inc. (“BPO”), a related party of Brookfield Asset Management. The lease arrangement was conducted in the normal course of operations and on market terms. The amount paid to BPO for the leased office facilities and building maintenance for the year ended December 31, 2021 totaled $0.4 million (December 31, 2020 - $0.2 million). As at December 31, 2021, lease liabilities relating to this arrangement were $1 million.

BAC entered into outsourcing arrangements with Brookfield Asset Management related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to Brookfield Asset Management for these services for the year ended December 31, 2021 totaled $0.3 million (December 31, 2020 – $0.4 million). Amounts due to Brookfield Asset Management related to outsourcing arrangements at December 31, 2021 totaled $0.5 million (2020 – $Nil).

During the year, BAC issued group annuity policies of $5 million with certain of Brookfield Asset Management's subsidiaries and collected all the premiums. Premiums, gross benefits and insurance contract liabilities with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

On March 29, 2021, the Company’s parent, BAM, transferred $79 million of deductions related to Part VI.1 tax at a cost of $0.99 per $1.00 of tax savings. The total value of tax deductions acquired was $20 million dollars. In exchange, the Company paid cash of $20 million.

During the year, subsidiaries of the Company purchased investments of $0.9 billion from Brookfield Asset Management and its subsidiaries, from which net investment income of $5 million was recognized in the Combined Consolidated Statements of Operations. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

On October 8, 2021, BIHI provided a $377 million interest-bearing loan to NER SPC. NER SPC used the loan to finance the excess reserve capital associated with the reinsurance transaction that closed in October. The loan is expected to be repaid with third-party financing arrangements within the next year.

The Company had $64 million of cash on deposit with wholly-owned subsidiaries of Brookfield Asset Management as at December 31, 2021. During the year, the Company drew on approximately $742 million of the deposit to fund new reinsurance and PRT transactions, as well as various investments.

NOTE 18. SEGMENT REPORTING

Effective in the fourth quarter of 2021, the Company's operations are organized into two operating segments: Reinsurance and PRT. These segments are regularly reviewed by the CODM for the purpose of allocating resources to the segment and to assess its performance. Prior to this, operations were attributable to one segment: Insurance. During the fourth quarter, management entered into significant reinsurance arrangements and thus, reporting to the CODM was changed. The prior year results have been restated to reflect this change.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("Distributable Operating Earnings", or "DOE").

Distributable Operating Earnings is calculated as net income excluding the impact of depreciation and amortization, income taxes, income from equity accounted investments, mark-to-market on hedging items, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. DOE allows the CODM to evaluate the Company's segments on the basis of return on invested capital generated by its operations and allows the Company to evaluate the performance of its segments

The tables below provide each segment's results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE YEAR ENDED DEC. 31, 2021 US$ MILLIONS	Reinsurance[1]	Pension Risk Transfer[2]	**Total**
Net premiums	$ 6,190	$ 1,016	**$ 7,206**
Interest revenue	2	55	**57**
Other net investment income, including funds withheld	125	(56)	**69**
Segment revenues	6,317	1,015	**7,332**
Proportionate share of equity accounted investment adjusted earnings	8	—	**8**
Benefits paid on insurance contracts, net	(220)	(72)	**(292)**
Changes in insurance reserves, net	(6,060)	(920)	**(6,980)**
Other reinsurance expenses	(19)	—	**(19)**
Operating expenses excluding transactions costs	(6)	(12)	**(18)**
Interest expense	(7)	—	**(7)**
Segment DOE	**13**	**11**	**24**
Corporate expenses			**(8)**
Income tax expense			**(2)**
Transaction costs			**(8)**
Net hedging expenses			**(59)**
Other activities			**9**
Net loss			**$ (44)**

1. Net premiums in our Reinsurance segment are attributed to insurance contracts assumed from other companies.
2. Net premiums in our PRT segment include $1 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer[1]	**Total**
Net premiums	$ —	$ 430	**$ 430**
Interest revenue		30	**30**
Other net investment income, including funds withheld	—	54	**54**
Segment revenues	—	514	**514**
Benefits paid on insurance contracts, net	—	(39)	**(39)**
Changes in insurance reserves, net	—	(468)	**(468)**
Other reinsurance expenses	—	—	**—**
Operating expenses excluding transactions costs	—	(6)	**(6)**
Segment DOE			**1**
Net income			**$ 1**

1. Net premiums in our PRT segment include $1 million of insurance contracts ceded to other counterparties.

FOR THE YEAR ENDED DEC. 31, 2019 US$ MILLIONS	Reinsurance	Pension Risk Transfer[1]	**Total**
Net premiums	$ —	$ 325	**$ 325**
Interest revenue		20	**20**
Other net investment income, including funds withheld	—	37	**37**
Segment revenues	—	382	**382**
Benefits paid on insurance contracts, net	—	(25)	**(25)**
Changes in insurance reserves, net	—	(345)	**(345)**
Operating expenses excluding transactions costs	—	(6)	**(6)**
Segment DOE			**6**
Net income			**$ 6**

1. Net premiums in our PRT segment include $179 million of insurance contracts ceded to other counterparties.

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers.

Our PRT business is focused on the transfer of pension plan liabilities from corporate sponsors, and all premium revenues recorded for the years ended December 31, 2021, 2020 and 2019 were from Canadian counterparties.

Total premium revenues recorded within our Reinsurance segment for the year ended December 31, 2021 were from transactions with two United States ceding companies and represented 63% and 22% of total premium revenues, respectively.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS AT DEC. 31, 2021 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	**Total**
Assets, excluding equity accounted investments	$ 7,577	$ 2,473	$ 1,099	**$ 11,149**
Equity accounted investments	344	—	—	**344**
Liabilities	6,803	2,269	986	**10,058**
Common equity	1,118	204	113	**1,435**

AS AT DEC. 31, 2020 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	**Total**
Assets, excluding equity accounted investments	$ —	$ 1,440	$ —	**$ 1,440**
Equity accounted investments	—	—	—	**—**
Liabilities	—	1,357	—	**1,357**
Common equity	—	83	—	**83**

AS AT DEC. 31, 2019 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Other[1]	**Total**
Assets, excluding equity accounted investments	$ —	$ 927	$ —	**$ 927**
Equity accounted investments	—	—	—	**—**
Liabilities	—	861	—	**861**
Common equity	—	66	—	**66**

1. Other represents assets, liabilities and common equity attributable to other activities that do not constitute a segment.

The geography of the Company's non-current assets are broken down as follows:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020	2019
United States of America	**$ 1,121**	$ —	$ —
Canada	**3**	2	—
Cayman Islands	**1**	—	—
Bermuda	**1**	—	—
Total non-current assets	**$ 1,126**	$ 2	**$ —**

NOTE 19. FINANCIAL COMMITMENT

As at December 31, 2021, subsidiaries of the Company had loan commitment agreements with third parties to the maximum of $463 million exclusive of taxes and other operating expenses (2020 - $15 million). As at December 31, 2021, $81 million was loaned (2020 - $10 million). The amount were recognized as loans and receivables and unrated bonds.

As at December 31, 2021, BAC had undiscounted lease liabilities of $1 million which are within one to three years.

NOTE 20. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company's risk appetite and Own Risk and Solvency Assessment ("ORSA"). Furthermore, stress techniques that include the Financial Conditions Testing ("FCT") are used to evaluate the Company's capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test ("LICAT") as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

NER SPC is required to follow Risk Based Capital ("RBC") requirements based on guidelines of the National Association of Insurance Commissioners ("NAIC"). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority ("BMA"). The Enhanced Capital Requirement ("ECR") is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The Company has determined that it is in compliance with all the capital requirements as at December 31, 2021 and December 31, 2020.

NOTE 21. SUPPLEMENTARY INSURANCE INFORMATION

The following table presents supplementary information for our two reportable segments:

Reinsurance

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Insurance reserves	**$ 6,254**	$ —	$ —
Deferred acquisition costs	**776**	—	—
Net investment income on reserve assets	**47**	—	—
Benefit expenses	**220**	—	—
Gross premiums	**6,190**	—	—
Amortization of deferred acquisition costs and other	**1**	—	—

Pension Risk Transfer

AS AT AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Insurance reserves	**$ 2,243**	$ 1,339	$ 856
Reinsurance assets	**169**	190	197
Net investment income on reserve assets	**(3)**	82	56
Benefit expenses	**90**	63	39
Benefit expenses ceded	**(18)**	(25)	(14)
Gross premiums	**1,017**	431	504
Ceded premiums	**(1)**	(1)	(179)

NOTE 22. SUBSEQUENT EVENTS

On January 7, 2022, the Company announced that it has purchased an additional 6,775,000 shares of common stock of AEL Holdings, bringing its total combined equity interest in AEL Holdings to approximately 16%. The Company acquired the additional shares issued from treasury at a price of $37.33 per share, being AEL Holdings's adjusted book value as of September 30, 2021, for total consideration of approximately $253 million.

On March 9, 2022, the Company's credit agreement with Brookfield Asset Management was increased to $400 million. As at the date of these financial statements, there were no amounts drawn on the credit facility

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management's discussion and analysis ("MD&A"), dated as of March 22, 2022, covers the financial position as of December 31, 2021 and December 31, 2020 and the results of operations for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 which are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The information in this MD&A should be read in conjunction with the audited Combined Consolidated Financial Statements ("the financial statements") as of December 31, 2021 and December 31, 2020 and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019.

Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "company" means Brookfield Asset Management Reinsurance Partners Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Asset Management, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Asset Management or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Forward-Looking Information".

Overview of Our Business

Our company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020 under the laws of Bermuda. Our company was established by Brookfield to own and operate a leading reinsurance business focused on providing capital-based and annuity solutions to insurance and reinsurance companies and pension risk transfer products for pension plan sponsors. In doing so, the Company seeks to match long-duration liabilities with a portfolio of high-quality investments in order to generate attractive, risk-adjusted returns within our business. Our relationship with Brookfield provides us with access to a diverse mix of leading alternative investment strategies that we believe are well-suited for this purpose. Our business is presently conducted through our subsidiaries under two operating segments, which we refer to as our reinsurance business and our PRT business. Our reinsurance business currently focuses on annuities-based products. Over time, we may look for opportunities to expand our reinsurance business to cover other longer-duration products such as life insurance and structured settlements.

Reinsurance

Within our reinsurance business, we are focused primarily on the reinsurance of annuity-based products, and will primarily seek to transact with direct insurers and other reinsurers operating in North America and Western Europe.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company's operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities

A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return).

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our reinsurance business through licensed operating companies, North End Re (Cayman) SPC ("NER SPC") and North End Re Ltd ("NER Ltd."). On September 3, 2021, NER Ltd. entered into a retrocession agreement with a third party to reinsure a block of U.S. annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the company has the reinsurance contractual obligations. On October 8, 2021, NER SPC closed a reinsurance agreement with a third-party insurance company to reinsure fixed indexed annuities. At the time of closing, the reinsurance agreement had a retrospective effective date of July 1, 2021, representing the date on which the company has the reinsurance contractual obligations. As of December 31, 2021, NER SPC and NER Ltd. had \$4.7 billion and \$1.6 billion of insurance reserves, respectively.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks (or some of the risks) associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk, which is the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated through Brookfield Annuity Company (“BAC”), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. BAC is led by a team of experts with an average of over 25 years of experience in group annuities, pensions, insurance and investments.

BAC was incorporated in August 2016 as a wholly-owned indirect subsidiary of Brookfield Asset Management and wrote its first group annuity policy in the first quarter of 2017. As of December 31, 2021, BAC had $2.2 billion (C$2.8 billion) of policyholder reserves.

Life Insurance

Although today our business is focused primarily on annuity-based products, in the future we may look to expand our reinsurance business to cover other longer-duration products, including life insurance. Life insurance is a contract between an insurer and the insured person in which the insurer guarantees payment of a death benefit to named beneficiaries in exchange for premiums paid by the insured person. Insurers generate income based upon the income earned on assets invested in connection with the policy, relative to the cost of administration and the death benefit paid.

The following financial data is derived from our audited statements that are prepared in accordance with IFRS. Non-IFRS measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Continuity of Interest

Our company was established on December 10, 2020 by Brookfield Asset Management, and on June 28, 2021 Brookfield Asset Management completed the Spin-off of the company by way of a special dividend to holders of Brookfield Asset Management's Class A and Class B Limited Voting Shares. Prior to the Spin-off, Brookfield Asset Management controlled the portion of our business that was spun off to form our company (the "Business"). The Business transferred in connection with the Spin-off represented common control transactions recorded at historical carrying values. In accordance with the company accounting policy, the company has reflected the Business in its financial position and results of operations using Brookfield Asset Management's carrying value, prior to the Spin-off. To reflect this continuity of interest, the financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield Asset Management. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield Asset Management. For the period after completion of the Spin-off, the results are based on the actual results of the company, including the adjustments associated with the Spin-off and the execution of several agreements. Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield Asset Management prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

Basis of Presentation

The company holds a direct 100% ownership interest in BAM Re Holdings Ltd., which holds the company's interest in its operating subsidiaries. Through its operating subsidiaries, the company provides annuity-based reinsurance products to insurance and reinsurance companies and acts as a direct issuer of PRT products for pension plan sponsors. The principal operating entities of the company generally maintain their own independent management and infrastructure.

Key Financial Data

The following present key financial data of the company:

US$ MILLIONS	**2021**	2020	2019
Gross premiums	**$ 7,207**	$ 431	$ 504
Net (loss) income for the year	**(44)**	1	6
Distributable Operating Earnings[1,2]	**30**	1	6
Net Investment Spread	**0.6%**	0.4%	0.7%
AUM	**9,747**	1,193	702
Excess Capital[1]	**720**	—	—
Net Reserve Capital[1]	**715**	83	66

1.Distributable operating earnings, excess capital, and net reserve capital are Non-IFRS measures. See "Reconciliation of Non-IFRS Measures".
2. Distributable operating earnings for 2021 is inclusive of $6 million relating to activities outside of our two operating segments.

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the Years Ended December 31, 2021, 2020 and 2019

The following table summarizes the financial results of our business for the years ended December 31, 2021, 2020 and 2019.

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Premiums			
Gross	**$ 7,207**	$ 431	$ 504
Ceded	**(1)**	(1)	(179)
Net premiums	**7,206**	430	325
Net investment income, including funds withheld	**138**	84	57
Total revenues	**7,344**	514	382
Income from equity accounted investments	**8**	—	—
Benefits paid on insurance contracts			
Gross	**310**	63	39
Ceded	**(18)**	(25)	(14)
Change in insurance reserves			
Gross	**6,958**	457	538
Ceded	**22**	11	(193)
Other reinsurance expenses	**19**	—	—
Operating expenses	**35**	6	6
Net hedging expenses	**59**	—	—
Interest expense	**9**	—	—
Total benefits and expenses	**7,394**	512	376
Net (loss) income before income taxes	**(42)**	2	6
Current tax expense	**—**	(1)	—
Deferred tax expense	**(2)**	—	—
Net (loss) income for the year	**$ (44)**	$ 1	$ 6

2021 vs. 2020

For the year ended December 31, 2021, we reported a net loss of $44 million, compared to net income of $1 million for the prior year.

Gross premiums increased by $6.8 billion in 2021 relative to the same period in 2020. The increase included $6.2 billion related to the closing of two large-block reinsurance transactions and a higher volume of PRT deals closed as compared to the prior year. During 2021, the company closed 26 PRT deals (2020 - 15), representing $1.1 billion of premiums and approximately 20% of the Canadian PRT market in 2021.

Net investment income including funds withheld increased by $54 million for the year ended December 31, 2021, relative to the same period in 2020. Net investment income comprises of interest and dividends received, as well as realized and unrealized gains and losses on financial instruments. Interest and dividends received increased reflecting the growth in the investment portfolio. Realized gains on investments increased in period as a result of funds withheld income from our first large-block reinsurance transaction.

Equity accounted income in 2021 of $8 million related to the company's investment in the common equity of American Equity Investment Life Holding Company ("AEL Holdings"). The company originally acquired a 9.5% interest in AEL Holdings at the time of Spin-Off and the investment was treated as a financial asset. Post spin-off, as a result of a firm commitment to enter into the reinsurance agreement with American Equity Investment Life Insurance Company ("AEILIC"), we concluded that we had significant influence over AEL Holdings, and as such, derecognized the financial asset and recorded an equity accounted investment.

Gross benefits paid to policyholders increased by $247 million in 2021 due to the new reinsurance transactions and an increase in annuitants in-pay in new PRT business since the prior year period. Ceded benefits represent amounts received from reinsurers. Ceded benefits for the year ended December 31, 2021 decreased by $7 million as a result of the deferred financing associated with the ceding contract.

The gross change in insurance reserves in 2021 increased by $6.5 billion compared to the same period in 2020, primarily due to the two large-block reinsurance transactions closed as noted above, new PRT transactions closed and the impact of market movements.

Other reinsurance expenses increased by $19 million in 2021 due to the reinsurance transactions entered into during the year, resulting in additional reinsurance related expenses settled since the treaty effective dates.

Operating expenses increased by $29 million during 2021 compared to 2020 as a result of additional personnel, professional services and transaction expenses related to the build out of our business. We also recorded unrealized gains and premium cost of the options on our corporate hedging activities as at December 31, 2021 of $59 million. Subsequent to year end, in January 2022, we unwound the hedge positions for a life to date gain on the positions, and the realized gains will be reflected in net income in the first quarter of 2022.

Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the Company's insurance operating companies' investment portfolios or insurance reserves. Net hedging expenses of $59 million in the year relate to costs incurred to entered into corporate hedges and are partially offset by positive mark to market of hedges entered into as at December 31, 2021.

During 2021, DOE increased $29 million from the prior year to $30 million. We deployed $5 billion of the assets received on the closing of the reinsurance and PRT transactions and expect Distributable Operating Earnings to grow in the coming quarters as the assets received upon closing benefit from the deployment into our higher-yielding investment strategies.

2020 vs. 2019

For the year ended December 31, 2020, we reported net income of $1 million. This compares to net income of $6 million for the year ended December 31, 2019.

Gross premiums decrease by $73 million in 2020 relative to the same period in 2019. This decrease was due to a lower number of pension risk transfer deals closed during the year. Ceded premiums decreased by $178 million relative to the prior year. This is primarily related to one significant coinsurance reinsurance transaction in 2019 where we ceded $178.6 million of premiums.

Net investment income increased by $27 million in 2020, relative to the same period in 2019. Net investment income comprises of interest and dividends received, as well as realized and unrealized gains and losses on financial instruments. Interest and dividends received increased by $9 million reflecting the growth in the investment portfolio. Realized gains on financial instruments were lower by $6 million in 2020, relative to 2019, due to lower disposal activity in the year. Unrealized gains and losses on financial instruments in 2020 were positively impacted by strong mark-to-market performance of investments during the second half of the year resulting in $51 million of unrealized gains on investments and derivatives in 2020, relative to $27 million in 2019.

Gross benefits paid to policyholders increased by $24 million in 2020 due to the increase in new PRT business. Ceded benefits represent amounts received from reinsurers. Ceded benefits in 2020 increased by $11 million compared with the same period in 2019 as 2020 reflects the first full year of amounts received from reinsurers on treaties entered into in 2019. The company also entered into one additional reinsurance treaty in 2020.

The gross change in insurance contract liabilities in 2020 decreased by $81 million compared to the same period in 2019. The change in gross contract liabilities was primarily due to the impact of market movements, such as decreasing interest rates. Ceded change in insurance contract liabilities increased by $204 million due to the impact of market movements on the ceded reserves in 2020.

During 2020, DOE decreased $5 million to $1 million, primarily as a result of the overall lower rate environment experienced in 2020 compared with 2019.

CONSOLIDATED FINANCIAL POSITION

Comparison as at December 31, 2021 and December 31, 2020

The following table summarizes the financial position as at December 31, 2021 and December 31, 2020:

AS AT DEC. 31 US$ MILLIONS	2021	2020
Assets		
Cash and cash equivalents	**$ 393**	$ 35
Investments	**4,943**	1,193
Reinsurance funds withheld	**4,650**	—
Equity accounted investments	**344**	—
Deferred acquisition costs	**776**	—
Reinsurance assets	**169**	190
Derivative assets	**146**	7
Property and equipment	**2**	2
Other assets	**70**	13
Total assets	**11,493**	1,440
Liabilities		
Insurance reserves	**8,497**	1,339
Due to related parties	**467**	—
Reinsurance payable	**75**	—
Corporate borrowings	**693**	—
Deferred revenue	**82**	—
Liabilities of structured entities	**167**	—
Other liabilities	**77**	18
Total liabilities	**10,058**	1,357
Total equity	**1,435**	83
Total liabilities and equity	**$ 11,493**	$ 1,440

December 31, 2021 vs. December 31, 2020

Cash increased by $358 million during the year primarily as a result of cash and cash equivalents held within the investment portfolios of our new reinsurance treaties, as well as the capital provided to the company upon Spin-off, which is used to fund future transactions and working capital requirements.

Investments increased by $3.8 billion over the year, primarily as a result of new PRT deals won during the year, and investments held within the general account within our new reinsurance transactions. In addition, investments included approximately $800 million of temporary corporate investments that will ultimately be transferred into our insurance investment portfolios in the near term.

The increase in equity accounted investments of $344 million related to our investment in AEL Holdings, as noted above.

Reinsurance funds withheld increased by $4.7 billion due to our two large-block reinsurance transactions that closed during the year. Each transaction included modified coinsurance arrangements, and as a result Reinsurance funds withheld represents the receivables from the ceding companies, including the embedded derivatives and modified coinsurance assets, and is partially offset by reinsurance funds withheld amounts payable.

Deferred acquisition costs increased by $776 million and relate to the large-block reinsurance transaction closed in 2021. Costs that were directly related to these reinsurance contracts were capitalized as deferred acquisition costs to the extent that they are recoverable from gross profits. Deferred acquisitions costs are amortized over the life of the policies in proportion to the estimated gross profits.

Insurance reserves increased by $7.2 billion due to $6.2 billion from two new reinsurance transactions and $1.1 billion from new PRT deals won.

The increase in due to related parties increased primarily as a result of a temporary bridge financing provided to a subsidiary of the company related to the financing of excess reserve capital within a recently closed reinsurance transaction. The financing is expected to be repaid in the near term, and replaced with third-party reserve capital financing.

Reinsurance payable relates to settlements payable to third-party reinsurers and cedants, and increased by $75 million during the period as a result of the new reinsurance treaties closed during the year.

Corporate borrowings increased by $693 million during the year primarily as a result of drawings on the Company's 364-day revolving credit facility for the purpose of temporarily warehousing attractive investment opportunities that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings.

Deferred revenue increased by $82 million due to a negative ceding commission recognized as part of a reinsurance transaction closed during the year.

Liabilities of structured entities relate to debt and preferred securities issued by consolidated structured entities that our reinsurance treaties have invested in. The increase of $167 million relates to new debt and preferred securities issued by these entities during the period.

AUM increased $8.6 billion during 2021 to $9.7 billion as a result of growth from new Reinsurance and PRT business during the year.

Excess Capital is the amount of capital in the business that is not currently supporting insurance contracts within regulated insurance entities. Excess capital includes the Company's investment in AEL Holdings and other corporate investments.

Net reserve capital is the the capital within our company that supports our insurance reserves, and increased $632 million as a result of block reinsurance and PRT transactions closed during the year.

SEGMENT REVIEW

Effective in the fourth quarter of 2021, the Company's operations are organized into two operating segments:Reinsurance and PRT.

We measure operating performance primarily using Distributable Operating Earnings ("Distributable Operating Earnings" or "DOE") which measures our ability to acquire net pension assets at a positive margin, and invest these assets at a return that is greater than the accretion of the annuitants' liabilities.

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the years ended December 31, 2021, 2020 and 2019:

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2021**	2020	2019
DOE	**13**	—	—

For the year ended December 31, 2021

The company's Reinsurance operating companies commenced their reinsurance operations in 2021 and closed its first two large-block transactions in the second half of 2021.

We deployed $5 billion of the assets received on the closing of the reinsurance transactions and expect Distributable Operating Earnings from our Reinsurance segment to grow in the coming quarters as the assets received upon closing benefit from the deployment into our higher-yielding investment strategies.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the years ended December 31, 2021, 2020 and 2019:

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	**2021**	2020	2019
DOE	**11**	1	6

Comparison of the years ended December 31, 2021 and 2020

During 2021, the company closed 26 PRT deals (2020 - 15), representing $1.1 billion of premiums and approximately 20% of the Canadian PRT market in 2021.The increase in Distributable Operating Earnings was primarily as a result of an increased investment spread, as we focused on deploying the existing portfolio into higher-yielding investment strategies.

Comparison of the years ended December 31, 2020 and 2019

During 2020, the company closed 15 PRT deals compared with 19 in 2019. The decrease in Distributable Operating Earnings was primarily as a result of the overall lower rate environment experienced in 2020 compared with 2019.

Liquidity and Capital Resources

CAPITAL RESOURCES

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, and access to the company's third-party credit facility, and our credit facility and equity commitment with Brookfield Asset Management. We proactively manage our liquidity position to meet liquidity needs while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our liquidity for the periods noted below consisted of the following:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020
Cash and cash equivalents	**$ 393**	$ 35
Corporate financial assets	**243**	—
Undrawn credit facilities	**313**	42
Total liquidity	**$ 949**	$ 77

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. As part of the Spin-off, Brookfield provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three year revolving $200 million credit facility in addition to our $150 million revolving credit facility with external banks. Subsequent to year end, the size of the revolving credit facility with Brookfield was increased to $400 million. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at December 31, 2021, the company's cash and cash equivalents included $105 million of unrestricted cash resources that can be deployed to fund corporate activities as needed. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation will be a matter of optimizing needs and opportunities at that time.

Comparison of the year ended December 31, 2021, 2020 and 2019

The following table presents a summary of our cash flows and ending cash balances for the years ended December 31, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Operating activities	**$ 1,581**	$ 399	$ 309
Investing activities	**(3,864)**	(385)	(268)
Financing activities	**2,640**	13	(35)
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**35**	13	8
Net change during the year	**357**	27	6
Foreign exchange on cash balances held in foreign currencies	**1**	(5)	(1)
Cash and cash equivalents, end of year	**$ 393**	$ 35	$ 13

Operating Activities

2021 vs. 2020

For the year ended December 31, 2021, we generated $1.6 billion of cash from operating activities compared to $399 million during 2020. The greater amount of cash generated was primarily due to $6.2 billion of favorable changes in insurance reserve due to two new reinsurance transactions and $82 million of deferred revenue, partially offset by $4.7 billion of changes in reinsurance funds withheld and $776 million of changes in deferred acquisition costs.

2020 vs. 2019

For the year ended December 31, 2020, we generated $399 million of cash from operating activities compared to $309 million during 2019. The increase was primarily as a result of new business written (net of ceded portion to reinsurers), compared to the prior year.

Investing Activities

2021 vs. 2020

For the year ended December 31, 2021, we deployed $3.9 billion of cash from investing activities compared to $385 million during 2020. The greater amount of cash used in the 2021 year was primarily due to additional assets acquired from the reinsurance transactions, the larger number of PRT transactions during the year, portfolio rebalancing activities and additional investments held on the company's balance sheet outside of insurance and reinsurance agreements. The increase of cash used is mainly comprised of $6.0 billion of purchase of investments, partially offset by $2.1 billion of proceeds on disposal of investments.

2020 vs. 2019

For the year ended December 31, 2020, we used $385 million to fund investing activities compared to $268 million during 2019. The greater use of cash in 2020 was primarily due to greater amount of business written and retained compared to the prior year.

Financing Activities

2021 vs. 2020

For the year ended December 31, 2021, we generated \$2.6 billion of cash from financing activities compared to \$13 million generated in the same period in 2020. The cash generated in the current year primarily relates to \$1.4 billion of cash received from the issuance of the class A exchangeable shares, class B shares and class C shares of the company during the year, \$378 million of net corporate borrowings from related parties and \$693 million of corporate borrowings from external parties.

2020 vs. 2019

For the year ended December 31, 2020, we generated \$13 million from financing activities compared to \$35 million used in the prior year. The cash generated in the current year primarily relates cash received from the issuance of common shares. Cash used in financing activities in the prior year primarily related to net repayments on various repurchase agreements.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As at December 31, 2021, our common equity was \$1.4 billion and included approximately \$164 million invested in Canadian dollars. All cumulative translation adjustments recorded for the years ended December 31, 2021 and 2020 were related to foreign exchange movements on the Canadian dollar relative to the U.S. dollar.

As at December 31, 2021, we had a notional \$846 million (December 31, 2020 - \$235 million) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 3, “Financial Instruments” of the Combined Consolidated Financial Statements.

Future Capital Obligations and Requirements

A subsidiary of the Company has loan commitment agreements to the maximum of \$463 million exclusive of taxes and other operating expenses (December 31, 2020 - \$15 million). As at December 31, 2021, \$81 million was loaned (December 31, 2020 - \$10 million). The amounts were recognized as loans and receivables and unrated bonds. For additional information, see Note 19, “Financial Commitment” of the Combined Consolidated Financial Statements.

Tabular Disclosure of Contractual Obligations

The table below outline the contractual obligations of the company as at December 31, 2021:

AS AT DEC. 31 2021 US$ MILLIONS										
	Payments due by year									
		Total		Less than 1 year		1- 3 years		4 - 5 years		More than 5 years
Insurance reserves	**$**	**8,497**	$	368	$	769	$	792	$	6,568
Due to related party		**467**		467		—		—		—
Reinsurance payable		**75**		21		14		15		25
Deferred revenue		**82**		4		7		7		64
Accounts payable and other		**65**		65		—		—		—
Liabilities of structured entities		**167**		—		—		—		167
Funds withheld liabilities		**12**		12		—		—		—
Corporate borrowings		**693**		656		37		—		—
Total	**$**	**10,058**	$	1,593	$	827	$	814	$	6,824

Brookfield Asset Management Operating Results

An investment in the class A exchangeable shares of the company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield Asset Management. A summary of Brookfield Asset Management's 2021, 2020 and 2019 full year operating results is provided below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS		**2021**		2020		2019
Revenues	**$**	**81,112**	$	66,682	$	67,826
Net income (loss)		**12,388**		707		5,354

Each class A exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the class A exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield Asset Management as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield Asset Management in its continuous disclosure filings. Copies of the Brookfield Asset Management's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR at www.sedar.com.

Industry Trends and Factors Affecting Our Performance

Pension Risk Transfer

The Canadian PRT market in which our PRT business currently operates has expanded over the last several years, with a growth rate of approximately 24% per annum since 2015. With over C$2.6 trillion of defined benefit plan assets under management according to Global Pension Assets Study - 2022 issued by Willis Towers Watson, we believe there are significant opportunities for us to grow our Canadian PRT business organically.

Life Insurance and Annuities

The annuities and life insurance industry in our target markets of North America and Western Europe consists of over $13 trillion of assets and is growing by approximately 4% annually. As described above, we will participate in this industry primarily by providing reinsurance of annuity-based products and PRT solutions and over time may look for opportunities to expand our reinsurance business into life insurance, structured settlements, and other long-duration products in order to take advantage of the growing industry. We believe the current trends present significant opportunities for us to grow our Reinsurance business.

- **Low interest rates are differentiating those with access to higher-yielding investments.** Insurers invest primarily in fixed income products and declining yields have put pressure on profitability, creating opportunities for those with higher-yielding alternative investment management capabilities to outperform. Through our relationship with Brookfield, we have access to a diverse portfolio of suitable higher-yielding alternative investment products.

- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.

- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.

- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows on a book value basis, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our Combined Consolidated Statements of Financial Position include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The company’s obligations under its insurance contracts are denominated in Canadian and United States dollars but a portion of the assets supporting these liabilities are denominated in non-Canadian and non-United States dollars. We manage foreign exchange risk using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently remain at relatively low levels in many jurisdictions in which we operate. These rates may remain relatively low, but they may rise significantly at some point in the future, either gradually or abruptly. A sudden or unexpected increase in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

The company manages interest rate risk through their asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Credit Risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The company is primarily exposed to credit risk through its investments in debt securities.

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The company makes assumptions and estimates when assessing reinsurance and insurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block’s acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

In the future we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our Combined Consolidated Financial Position or Operations.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The company’s internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

We have significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board of Directors.

Disaster recovery and business continuity plans have also been established to manage the company's ability to operate under adverse conditions.

Impact of COVID-19

The World Health Organization declared COVID-19 to be a pandemic on March 11, 2020. To date, there have been restrictions on the conduct of business in many jurisdictions and the global movement of people and certain goods. We continue to closely monitor the related developments in light of the economic environment. The longer-term impacts from COVID-19 will depend on future developments which are highly uncertain, constantly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts. Where COVID-19 relates specifically to our business, specifically in valuing our insurance and reinsurance liabilities, we have allowed for identified deaths but we have not made any changes to our longevity assumptions as it remains too early to quantify the potential long-term impacts from COVID-19 on longevity.

Critical Accounting Policy and Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments made by management and used in preparing the financial statements, are summarized below:

i. Insurance reserves

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 Insurance Contracts ("IFRS 4") on the Combined Consolidated Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

In accordance with IFRS 4, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

The long-term insurance reserves are calculated separately for each product type, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market.

Insurance reserves are determined by BAC using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4.

Insurance reserves represent the amount required to provide for future benefits payments and administrative expenses on policies in force with BAC. Insurance reserves are presented gross of reinsurance assets on the Combined Consolidated Statements of Financial Position. BAC's Appointed Actuary is responsible for determining the amount of insurance reserves in accordance with standards established by the CIA. CALM is used to determine insurance reserves and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions, and provide reasonable assurance that insurance reserves cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

BAC has designated invested assets supporting insurance reserves as FVTPL or as loans and receivables. Since the value of the insurance reserves is determined by reference to the assets supporting those reserves, changes in the insurance reserves offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

Insurance reserves are determined by NER Ltd. using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Insurance reserves are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

Insurance reserves are determined by NER SPC using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves for fixed index annuity contracts (with embedded derivatives) are carried at fair value with an explicit margin added to the mortality, lapse and partial withdrawal assumptions. The host contract and the embedded derivative are bifurcated. The embedded derivative cash flows incorporate a risk margin and are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial value less the initial fair value of the embedded derivative and accreted over the policy's life. The host value's accretion rate is updated each quarter so that the present value of the actual and expected guaranteed cash flows is equal to the initial host.

An additional liability is established for Life Income Benefit Rider ("LIBR") benefits -withdrawals paid after the contract account value is exhausted. The liability accrues in proportion to contractual assessments using the crediting interest rate. The present value of expected excess benefits and assessments is projected over a range of stochastic equity scenarios. Retrospective unlocking is performed by replacing mean stochastic projected assessments and benefits with actual, revising projections of future experience and resolving for the portion of assessments required.

Key reserve assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves, and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

ii. Reinsurance assumed

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements ("Modco"). NER Ltd. generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Combined Consolidated Statements of Operations. Assumed premiums are included in premiums on the Combined Consolidated Statements of Operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in other reinsurance expenses in the Combined Consolidated Statements of Operations.

NER SPC closed a retrocession agreement on October 8, 2021 with an insurance company which was the Company's associate to reinsure fixed indexed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of July 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER SPC assumes insurance contracts under Modco and Coinsurance. NER SPC generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

iii. Reinsurance ceded

In the normal course of business, BAC is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are assessed for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

<u>Longevity reinsurance</u>

BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, the Company commits to pay the reinsurers a schedule of fixed payments relating to a proportion of defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of their proportion of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Combined Consolidated Statements of Operations. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Combined Consolidated Statements of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Combined Consolidated Statements of Operations.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Combined Consolidated Statements of Financial Position. The reinsurance assets related to longevity reinsurance is the difference between the schedule of fixed and actual benefit payments on a proportion of defined blocks of business.

Quota share reinsurance

BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of business.

At the inception of each quota share reinsurance contract, premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC also recognizes a reinsurance asset and a change in insurance reserves ceded in the Combined Consolidated Statements of Financial Position and the Combined Consolidated Statements of Operations, respectively. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by OSFI. The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

iv. Deferred acquisition costs

The Company incurs costs in connection with acquiring or renewal of reinsurance business. Costs that are directly related to the successful acquisition of reinsurance contracts are capitalized as deferred acquisitions costs ("DAC") to the extent that they are recoverable from gross profits. These costs consist of commission and policy issuance costs, as well as sales inducements credited to policyholder account balances. The DAC is amortized over the life of the policies in proportion to the estimated gross profits

v. Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

vi. Deferred revenue

The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for NER Ltd., the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in total revenue within the Combined Consolidated Statements of Operations.

vii. Benefits paid

Gross benefits and benefits ceded are recorded in the Combined Consolidated Statements of Operations when they are due and incurred.

viii. Investment in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. We use the equity method to account for our investments in associates within the Combined Consolidated Statements of Financial Position.

Interests in associates accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the Company's proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the financial statements based on the interests of unrelated investors in the investee. The carrying value of associates is assessed for impairment indicators at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 8.

ix. Structured entities

The Company invests a portion of its assets in structured entities that issue debt and preferred securities to subsidiaries of the Company, and its reinsurance treaty accounts.

The Company is the primary beneficiary of the variable returns of assets held within the entities, and while the Company is not involved in the investment decision process, the investment manager for the structured entities is a related party with significant residual economic interest in the Company. As a result, these entities are consolidated within the Company's financial statements. We assess the variable returns determination for our structured entities on an ongoing basis. Liabilities of the entities that do not eliminate upon consolidation are recorded as liabilities of structured entities.

The carrying amount of the Company's investment in the consolidated structured entities is determined in accordance with the Company's accounting policies for the underlying securities held within the structured entities.

x. Net hedging expenses

Net hedging expenses relate to costs incurred and mark to market movement associated with derivative contracts not directly related to the Company's insurance operating companies' investment portfolios or insurance reserves.

Future Accounting Policy Changes

i. IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB issued the amendment to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023. In addition, the IASB extended the exemption for qualifying insurers to apply IFRS 9 Financial Instruments ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Combined Consolidated Statements of Operations. The Company continues to assess the impact of IFRS 17, which is expected to have a significant impact on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

ii. IFRS 9 Financial Instruments

In July 2014, the IASB published the complete version of IFRS 9, which replaces IAS 39 and is effective for annual periods beginning on or after January 1, 2018, with retrospective application. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model, and new hedge accounting guidance. In September 2016, the IASB issued an amendment to IFRS 4 to provide qualifying insurance companies with an optional temporary exemption from applying IFRS 9. The Company qualifies and has elected to take the deferral approach as its activities are predominantly connected with insurance.

In December 2021, the IASB published a narrow-scope amendment to IFRS 9, which allow insurers to apply the classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on the initial application of IFRS 9 and IFRS 17.

The Company is currently assessing the impact of implementing IFRS 9 on the Combined Consolidated Financial Statements. Further details are disclosed in Note 3(h).

iii. Amendments to IFRS 3

In May 2020, the IASB issued Reference to the Conceptual Framework, which includes amendments to IFRS 3 Business Combinations. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

iv. Amendments to IAS 37

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

v. Annual Improvements to IFRS Standards 2018-2020

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our Combined Consolidated Financial Statements. The amendments apply prospectively. The amendments are effective for annual periods beginning on or after January 1, 2022.

vi. Amendments to IAS 1

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

vii. Amendments to IAS 8

In February 2021, IASB published 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company is currently assessing the impact of the adoption of these amendments on the Combined Consolidated Financial Statements.

viii. Amendments to IAS 12

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12, Income Taxes. The amendments relate to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The amendments are effective for annual reporting period beginning on or after January 1, 2023. The Company is evaluating the impact of the adoption of these amendments on its Combined Consolidated Financial Statements.

Performance Measures Used by Management

To measure performance, we focus on net income and gross premiums, as well as certain non-IFRS measures, including Distributable Operating Earnings, Excess Capital, and Net Reserve Capital. In addition, we provide certain metrics such as assets under management, which we refer to as AUM, which we believe are useful to investors to provide additional insights into the base upon which we earn investment income. Refer to the "Segment Review" section of this MD&A for further discussion on our performance measures as at December 31, 2021, and for the years ended December 31, 2021 and 2020 and 2019.

Non-IFRS Measures

We regularly monitor certain Non-IFRS measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-IFRS financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with IFRS. These Non-IFRS measures are not comparable to IFRS and may not be comparable to similarly described Non-IFRS measures reported by other companies, including those within our industry. Consequently, our Non-IFRS measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable IFRS measure in our consolidated financial statements for the years presented. The Non-IFRS financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with IFRS.

Distributable Operating Earnings

Distributable Operating Earnings is a key measure of our financial performance. We use Distributable Operating Earnings to assess operating results and the performance of our businesses. We define Distributable Operating Earnings as net income excluding the impact of depreciation and amortization, income taxes, income from equity accounted investments, mark-to-market on hedging items, breakage and transaction costs, and is inclusive of our proportionate share of adjusted earnings from our investments in associates. Distributable Operating Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by IFRS as issued by the IASB. Distributable Operating Earnings is therefore unlikely to be comparable to similar measures presented by other issuers.

Excess Capital

Excess Capital is the amount of capital in the business that is not currently supporting insurance contracts within regulated insurance entities. We define Excess Capital as the total of cash on deposit with related parties, equity accounted investments, common shares, other fixed income securities, deferred tax assets and other capital items not related to capital supporting our insurance reserves.

Net Reserve Capital

Net Reserve Capital is the capital within regulated entities that is currently supporting insurance contracts. We define Net Reserve Capital as equity excluding Excess Capital. We use Net Reserve Capital to assess our return on our equity supporting insurance contracts.

We believe our presentation of Distributable Operating Earnings, Excess Capital, and Net Reserve Capital is useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of Distributable Operating Earnings also provide investors enhanced comparability of our ongoing performance across years.

For further details regarding our use of our Non-IFRS measures, as well as a reconciliation of net income and total equity to these measures, see the "Reconciliation of Non-IFRS Measures" section of this MD&A.

Operating Metrics

AUM

We define AUM as the total gross value of our managed insurance and investment assets, identified as investments and cash and cash equivalents in our consolidated financial statements. We believe this metric is useful in gauging the scale and growth of the business over time, and can be an indicator of future results when viewed in conjunction with our insurance liabilities.

Reconciliation of Non-IFRS Measures

The following table reconciles our net (loss) income to Distributable Operating Earnings:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2021**	2020	2019
Net (loss) income	**$ (44)**	$ 1	$ 6
Income tax expense	**2**	—	—
Transaction costs	**8**	—	—
Mark-to-market on hedging items and other	**64**	—	—
Distributable Operating Earnings	**$ 30**	$ 1	$ 6

The following table reconciles our total equity to excess capital and net reserve capital:

AS AT DEC. 31 US$ MILLIONS	**2021**	2020	2019
Equity	**$ 1,435**	$ 83	$ 66
Less:			
Cash on deposit with related parties	**(64)**	—	—
Equity accounted investments	**(344)**	—	—
Common shares	**(243)**	—	—
Deferred tax asset	**(20)**	—	—
Other corporate net investments	**(49)**	—	—
Excess capital	**(720)**	—	—
Net reserve capital	**$ 715**	$ 83	$ 66

Forward-Looking Information

In addition to historical information, this MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the company and Brookfield's outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the company, Brookfield Asset Management's or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The following factors, among others, could cause our actual results to vary from our forward-looking statements:

We caution that the factors that may affect future results described in this MD&A are not exhaustive. The forward-looking statements represent our views as of the date of this MD&A and should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our most recent Annual Report on Form 20-F and other risks and factors that are described therein.

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