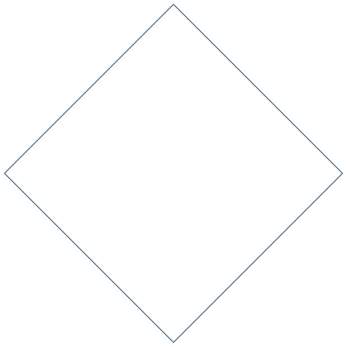
EXHIBIT 11(a)

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

	Page
Report of Independent Registered Public Accounting Firm	2
Combined Consolidated Statements of Financial Position	7
Combined Consolidated Statements of Operations	8
Combined Consolidated Statements of Comprehensive Income (Loss)	9
Combined Consolidated Statements of Changes in Equity	10
Combined Consolidated Statements of Cash Flows	13
Notes to the Combined Consolidated Financial Statements	15
Management's Discussion and Analysis of Financial Condition and Results of Operations	87

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.

	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:

	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**			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**		2021	
	Carrying Amount	**Percent**	Carrying Amount	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.

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		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	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		Mortality Improvement	
	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		Lapse Rate	
	3% Increase	3% Decrease	5% Increase	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