EXHIBIT 11(c)

Audited Consolidated Financial Statements of Brookfield Annuity Holdings Inc., as the predecessor of Brookfield Reinsurance for financial reporting purposes, as at December 31, 2020 and 2019, and for the Years-Ended December 31, 2020, 2019 and 2018

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC. AS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019 AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Annuity Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Brookfield Annuity Holdings Inc. and subsidiaries (the "Company") as at December 31, 2020 and 2019, and the related consolidated statements of operating results, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule of the Condensed Financial Statements of Brookfield Annuity Holdings Inc. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 5, 2021

We have served as the Company's auditor since 2016.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

US$ THOUSANDS	Note	**Dec. 31, 2020**	Dec. 31, 2019
Assets			
Cash and cash equivalents	5	**$ 35,461**	$ 13,361
Investments	5	**1,192,465**	701,538
Accrued investment income		**7,061**	4,130
Reinsurance receivable	3	**2,310**	5,481
Other assets	4	**3,846**	2,377
Deferred tax asset	14	**44**	—
Derivative assets	5	**7,199**	2,344
Property and equipment	6	**1,799**	316
Reinsurance assets	9	**190,070**	197,164
Total assets		**$ 1,440,255**	$ 926,711
Liabilities			
Insurance contract liabilities	9	**1,338,730**	856,364
Due to related party	7	**4**	28
Reinsurance payable	3	**410**	480
Derivative liabilities	5	**122**	661
Current tax liability	14	**676**	172
Accounts payable and accrued liabilities	8	**4,771**	3,550
Funds withheld liabilities	5	**12,379**	—
Total liabilities		**1,357,092**	861,255
Shareholder's equity			
Share capital	12	**77,976**	64,612
Accumulated surplus		**1,646**	38
Accumulated other comprehensive income		**3,541**	806
Total equity		**83,163**	65,456
Total liabilities and equity		**$ 1,440,255**	$ 926,711

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATING RESULTS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	Note	2020	2019	2018
Premiums				
Gross		**$431,070**	$ 503,688	$160,146
Ceded		**(634)**	(178,579)	—
Net premiums		**430,436**	325,109	160,146
Net investment income	5	**83,918**	57,097	741
Net investment results from funds withheld	5	**(117)**	—	—
Total revenues		**514,237**	382,206	160,887
Benefits paid on insurance contracts				
Gross		**63,349**	38,645	13,408
Ceded		**(24,569)**	(13,502)	—
Change in insurance contract liabilities	9			
Gross		**457,114**	537,809	142,904
Ceded		**10,496**	(193,033)	—
Operating expenses	13	**5,605**	6,436	4,971
Interest expense		**93**	166	111
Total benefits and expenses		**512,088**	376,521	161,394
Net income (loss) before income taxes		**2,149**	5,685	(507)
Income tax expense	14	**(541)**	(158)	—
Net income (loss) for the year		**$ 1,608**	$ 5,527	$ (507)
Net income (loss) per share	12	**$ 18.92**	$ 67.72	$ (7.20)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Net income (loss)	**$1,608**	$5,527	$ (507)
Other comprehensive income (loss) that will be reclassified to net income (loss)			
Net unrealized income (loss) on available for sale securities	**938**	381	(103)
Income tax expense	**(237)**	(11)	—
Foreign exchange gain (loss)	**2,034**	2,876	(3,126)
Total other comprehensive income (loss)	**2,735**	3,246	(3,229)
Comprehensive income (loss) for the year	**$4,343**	$8,773	$(3,736)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE YEAR ENDED DEC. 31, 2020 US$ THOUSANDS	Common Shares	Accumulated surplus (deficit)	Accumulated other comprehensive income (loss)	Total Equity
Balance as at December 31, 2019	$64,612	$ 38	$ 806	$65,456
Changes in period:				
Net income (loss)	—	1,608	—	1,608
Other comprehensive income (loss)	—	—	2,735	2,735
Comprehensive income (loss)	—	1,608	2,735	4,343
Other items				
Equity issuances	13,364	—	—	13,364
Total change in period	13,364	1,608	2,735	17,707
Balance as at December 31, 2020	**$77,976**	**$ 1,646**	**$ 3,541**	**$83,163**

AS AT AND FOR THE YEAR ENDED DEC. 31, 2019 US$ THOUSANDS	Common Shares	Accumulated surplus (deficit)	Accumulated other comprehensive income (loss)	Total Equity
Balance as at December 31, 2018	$59,890	$ (5,489)	$ (2,440)	$51,961
Changes in period:				
Net income (loss)	—	5,527	—	5,527
Other comprehensive income (loss)	—	—	3,246	3,246
Comprehensive income (loss)	—	5,527	3,246	8,773
Other items				
Equity issuances	4,722	—	—	4,722
Total change in period	4,722	5,527	3,246	13,495
Balance as at December 31, 2019	$64,612	$ 38	$ 806	$65,456

AS AT AND FOR THE YEAR ENDED DEC. 31, 2018 US$ THOUSANDS	Common Shares	Accumulated surplus (deficit)	Accumulated other comprehensive income (loss)	Total Equity
Balance as at January 1, 2018	$53,900	$ (4,982)	$ 789	$49,707
Changes in period:				
Net income (loss)	—	(507)	—	(507)
Other comprehensive income (loss)	—	—	(3,229)	(3,229)
Comprehensive income (loss)	—	(507)	(3,229)	(3,736)
Other items				
Equity issuances	5,990	—	—	5,990
Total change in period	5,990	(507)	(3,229)	2,254
Balance as at December 31, 2018	$59,890	$ (5,489)	$ (2,440)	$51,961

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Operating activities			
Net income (loss)	**$ 1,608**	$ 5,527	$ (507)
Items not involving cash			
Depreciation of property and equipment and right-of-use asset	**446**	217	229
Unrealized (gains) losses on investments and derivatives	**(51,316)**	(27,033)	6,785
Income tax expense	**541**	158	—
Impairment of investments	—	406	—
Non-cash items affecting net income			
Changes in reinsurance assets	**10,496**	(193,033)	—
Changes in insurance contract liabilities	**457,114**	537,809	142,904
Changes in funds withheld	**12,262**	—	—
Changes in working capital	**(814)**	(6,349)	(2,377)
Operating activities affecting cash			
Interest paid	**(53)**	(10)	(15)
Income tax paid	**(331)**	—	—
Realized (gains) losses on investments	**(3,361)**	(9,202)	2,533
Cash from operating activities	**426,592**	308,490	149,552
Investing activities			
Proceeds on disposal of investments	**501,553**	737,237	321,757
Purchase of investments	**(975,573)**	(1,023,002)	(526,857)
Maturities of investments	**62,164**	18,058	6,211
Purchase of property and equipment	**(617)**	(35)	(2)
Cash used in investing activities	**(412,473)**	(267,742)	(198,891)
Financing activities			
Issuance of common shares	**13,364**	4,722	5,990
Credit facility drawdown	**—**	—	27,309
Credit facility repayment	**—**	—	(27,250)
Principal portion of lease liabilities	**(268)**	(144)	(137)
Proceeds from repurchase agreement	**221,820**	245,620	40,546
Repayment of repurchase agreement	**(221,820)**	(284,891)	—
Cash (used in) from financing activities	**13,096**	(34,693)	46,458
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**13,361**	7,745	9,213
Net increase (decrease) during the year	**27,215**	6,055	(2,881)
Foreign exchange on cash balances held in foreign currencies	**(5,115)**	(439)	1,413
Cash and cash equivalents, end of year	**$ 35,461**	$ 13,361	$ 7,745
Supplementary Information			
Cash balances	**$ 16,496**	$ 7,773	$ 1,970
Short term investments	**18,965**	5,588	5,775
Cash and cash equivalents, end of year	**$ 35,461**	$ 13,361	$ 7,745

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Brookfield Annuity Holdings Inc. (the "Company") is a holding company incorporated on August 13, 2015. The registered address of the Company is 333 Bay Street, Suite 1200, Toronto, Ontario, M5H 2R2, Canada. The Company is domiciled in Canada and wholly owns Brookfield Annuity Company ("BAC"), Brookfield Annuity US Inc., North End Re (Bermuda) Ltd. ("NER Ltd."), and North End Re (Cayman) SPC ("NER SPC"). BAC is a life insurance company incorporated under the Insurance Companies Act of Canada (the "Act") on August 11, 2016.

BAC received its order to commence business from the Office of the Superintendent of Financial Institutions ("OSFI") on October 3, 2016 and has obtained its licenses in all provinces of Canada. BAC provides pension de-risking solutions through group annuity policies.

NER Ltd. was incorporated on July 13, 2018 in Bermuda under the Bermuda Companies Act 1981. Under the provisions of Section 14, the status of NER Ltd. is that of an exempted company within the meaning of Section 127. NER Ltd. is currently in the process of obtaining a license to conduct commercial long-term life and annuity reinsurance business with third party direct insurers.

NER SPC was incorporated on April 17, 2019 under the laws of the Cayman Islands. NER SPC is approved as a Class B (iii) insurer under the Cayman Islands' Insurance Act, 2010 (as amended). NER SPC is licensed to conduct commercial long-term life and annuity reinsurance business with third-party direct insurers.

The Company is a wholly-owned subsidiary of Brookfield Asset Management Inc. ("BAM"). The Company will enter into a series of transactions with BAM, whereby BAM will contribute all of the net assets and operations of the Company into a newly formed entity, Brookfield Asset Management Reinsurance Partners Ltd. ("BAM Re"). BAM Re was incorporated on December 10, 2020, and is a wholly owned subsidiary of BAM. Subsequent to BAM contributing the net assets of the Company into BAM Re, BAM will distribute the shares of BAM Re on a pro rata basis to BAM's shareholders and BAM Re will become a stand-alone public company. The Company is the predecessor of BAM Re.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on March 5, 2021.

b. Basis of presentation

The consolidated financial statements are comprised of the financial results of the Company and its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The assets and liabilities in the consolidated financial statements have been presented on a historical cost basis, as immediately prior to the spin-off, all the assets and liabilities presented are wholly owned by BAM. The

consolidated financial statements represent the assets, liabilities, revenues, expenses, and cash flows of the business that will be contributed to BAM Re. The Company maintains its own independent management and infrastructure and does not rely on any resources from BAM. As a result, no corporate costs have been allocated to the Company.

In accordance with IFRS, presentation of assets and liabilities on the Consolidated Statement of Financial Position is in order of liquidity.

The Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocation of resource and assessing performance. The Company's CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the Company which is currently managed as a single segment; pension risk transfer. All of the Company's revenue for the years ended December 31, 2020, 2019 and 2018 was generated from the pension risk transfer operating segment and was earned in Canada. All of the long-lived assets of the Company were included in the pension risk transfer operating segment and reside in Canada.

c. Accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of reinsurance assets, insurance contract liabilities, and impairment of financial instruments. Actual results may differ from our estimates thereby impacting the consolidated financial statements. Information on our use of estimates and assumptions is discussed in Note 2(d).

Management judgment is also used in applying the accounting policies used to prepare financial statements. The item most susceptible to changes in judgements is the evaluation of indicators of impairment of our investments.

d. Significant accounting policies

The significant accounting policies used in preparing these consolidated financial statements are summarized below.

Effective January 1, 2020, the Company changed its accounting policy for longevity reinsurance transactions such that the fixed payments made by the Company to the reinsurer relating to defined blocks of policyholder benefits (the "fixed leg") are recognized on a net basis with payments received from the reinsurer (the "variable leg") within benefits ceded in the Consolidated Statements of Operating Results. Previously, the Company's policy was to record the fixed leg in premiums ceded and the variable leg in benefits ceded on a gross basis. IFRS 4, Insurance Contracts ("IFRS 4") does not specify the presentation for this type of arrangement and the Company believes that the revised policy and presentation provides more reliable and relevant information to users of the consolidated financial statements as the presentation more clearly aligns the cashflows between the Company and the reinsurer, as contractual terms require settlement of the amounts on a net basis and as both the fixed and variable legs relate to the payment of benefits to the annuitant. The change in accounting policy has been applied retrospectively. The Company has restated the comparative figures in the Consolidated Statements

of Operating Results resulting in a reduction to both premiums ceded and benefits ceded in the amount of $9,963 thousand for the year ended December 31, 2019. There is no impact on net income, net income per share or shareholder's equity in the current or any prior year.

i. Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. The Company has classified cash and cash equivalents as fair value through profit or loss ("FVTPL") if the asset supports insurance contract liabilities or available for sale ("AFS") if the asset supports capital and surplus.

Cash and cash equivalents include cash balances and short-term investments that are not available for use by the Company as part of the funds withheld ("FWH") arrangement (Note 2(d)(iii)).

ii. Investments

Investments are financial assets which are comprised of bonds and fixed-income instruments. The Company uses the trade date to account for investment transactions.

Financial assets are classified into one of the following categories:

- AFS assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- FVTPL assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. Financial assets supporting capital and surplus are classified as AFS and are measured at fair value. Unrealized gains (losses) are recognized in other comprehensive income (loss). Upon realization, gains or losses are reclassified to the Consolidated Statements of Operating Results and recorded in Net investment income.

Financial assets supporting insurance contract liabilities are designated as FVTPL or as loans and receivables. Any changes in the fair value of the underlying assets matched to the insurance contract liabilities are directly reflected in the insurance contract liabilities. Unless the asset is deemed to be impaired, changes in fair value of assets matching these liabilities and changes in the corresponding insurance contract liabilities are directly recognized in the Consolidated Statements of Operating Results in order to avoid a mismatch that would otherwise arise.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income (loss) and presented in realized gains (losses) on investments.

iii. Funds withheld

Funds withheld ("FWH") represents a payable for amounts contractually withheld by the Company in accordance with reinsurance agreements where the Company acts as cedant. In 2020 the Company entered into a FWH arrangement with a third-party reinsurer. Under the FWH arrangement, the Company retained funds of the reinsurer. While the assets in the FWH are legally owned by the Company, the reinsurer is subject to all investment performance and economic rights and obligations to the FWH assets similar to invested assets held directly by the reinsurer. The Company's FWH balance includes cash and cash equivalents, investments, and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

iv. Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, bond forwards and interest rate swaps. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in fair value of derivatives are recorded in Net investment income, in the Consolidated Statement of Operations.

v. Assets Pledged as Collateral

The Company receives and pledges collateral in respect of certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Consolidated Statement of Financial Position as the Company retains all rights related to these assets.

Collateral received is not recognized in the Consolidated Statement of Financial Position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

vi. Collateralized Financing Transactions

Securities sold under agreements to repurchase ("repurchase agreements") are collateralized financing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at cost plus accrued interest.

The Company recognizes an asset in the Consolidated Statement of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Consolidated Statement of Financial Position.

vii. Right to Offset

Amounts presented in these consolidated financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

viii. Impairment

At each reporting date, financial assets are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. Evidence of impairment must be objective. For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer's financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Consolidated Statement of Operations.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not have been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Consolidated Statement of Operations.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

ix. Classification of Financial Instruments

Accrued investment income, reinsurance receivable and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, and accounts payable and accrued liabilities have been classified as other financial liabilities. Loans and receivables and other liabilities are measured at amortized cost. For these items, carrying value approximates fair value due to their short-term nature.

x. Leases

IFRS 16 Leases ("IFRS 16") specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the Company will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

As of December 31, 2020, the Company has one lease. The Company leases an office suite for its own use. As of December 31, 2020, the lease has a remaining term of 4.5 years.

The ROU is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the Company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the Company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the Company's estimate of the amount expected to be payable.

xi. Insurance contract liabilities

Liabilities for insurance contracts are determined using the Canadian Asset Liability Method ("CALM"), in accordance with the standards of the Canadian Institute of Actuaries ("CIA") and as permitted by IFRS 4 Insurance Contracts ("IFRS 4").

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4 on the Consolidated Statement of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

Insurance contract liabilities represent the amount required to provide for future benefits payments and administrative expenses on policies in force with the Company. Insurance contract liabilities are presented gross

of reinsurance assets on the Consolidated Statement of Financial Position. The Company's Appointed Actuary is responsible for determining the amount of insurance contract liabilities in accordance with standards established by the CIA. Insurance contract liabilities have been determined using CALM as permitted by IFRS 4. It is used to determine insurance contract liabilities and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The Company has designated invested assets supporting insurance contract liabilities as FVTPL or as loans and receivables. Since the value of the insurance contract liabilities is determined by reference to the assets supporting those liabilities, changes in the insurance contract liabilities offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

xii. Reinsurance

BAC, in the normal course of business, is also a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured. At each reporting date, the reinsurance asset and reinsurance receivable, if any, are tested for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

Longevity reinsurance

BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, BAC commits to pay the reinsurers a schedule of fixed payments relating to defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Consolidated Statement of Operations. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Consolidated Statement of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Consolidated Statement of Operations.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Consolidated Statement of Financial Position and change in insurance contract liabilities ceded on the Consolidated Statement of Operating Results.

Quota share reinsurance

BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of

business. At the inception of each quota share reinsurance contract, Premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC recognizes a reinsurance asset on the Consolidated Statement of Financial Position and change in insurance contract liabilities ceded on the Consolidated Statement of Operating Results. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by OSFI. The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are tested for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds recoverable amount.

xiii. Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance contract liabilities are computed, with the result that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

xiv. Benefits paid

Gross benefits and benefits ceded are recorded in the Consolidated Statement of Operations when they are due and incurred.

xv. Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on FVTPL investments measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

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xvi. Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each year.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the Company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

xvii. Foreign currencies

The Company's functional currency is CAD. The Company's consolidated financial statements are presented in USD as the functional currency of BAM Re is USD. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income.

For purposes of presenting the consolidated financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the period. Gains or losses on translation of these items are included in other comprehensive income.

xviii. Future accounting policy changes

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB proposed an amendment to IFRS 17 providing a one-year deferral on the effective date of the standard to January 1, 2023. In addition, the IASB extended the exemption for insurers to apply IFRS 9 Financial Instruments ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date. OSFI expects life insurers to adopt IFRS 9 and IFRS 17 simultaneously for periods beginning on or after January 1, 2023.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statement of Operations. The Company continues to assess the impact for IFRS 17, which is expected to be significant on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

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IFRS 9 Financial Instruments

In July 2014, the IASB published the complete version of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018, with retrospective application and replaces IAS 39. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance.

The Company has deferred the implementation of IFRS 9 until IFRS 17 is adopted on January 1, 2023 on the basis that the Company's activities are predominantly connected with insurance, with insurance contract liabilities making up over 99% of the Company's Total liabilities.

The disclosure for the measurement and classification of the Company's investments provides most of the information required by IFRS 9.The Company is currently assessing the impact of implementing IFRS 9 on its consolidated financial statements.

NOTE 3. REINSURANCE RECEIVABLE / PAYABLE

In 2020 and 2019, reinsurance receivable and payable relate to amounts recoverable from or payable to third-party reinsurers. All amounts are expected to be settled within a year.

NOTE 4. OTHER ASSETS

AS AT DEC. 31 US$ THOUSANDS	**2020**	2019
Accounts receivable	**$ 979**	$ 48
Prepaid expenses	**2,867**	2,329
	$3,846	$2,377

Accounts receivable relate to amounts recoverable from third parties. All amounts are expected to be recovered within one year. These financial instruments are short-term in nature and their fair values approximate carrying values. Prepaid expenses relates to benefit payments made to policyholders in advance.

NOTE 5. FINANCIAL INSTRUMENTS

a. Designation

Assets supporting insurance contract liabilities are designated as FVTPL or amortized cost. Assets supporting capital and surplus are classified as AFS. Assets with fixed or determinable payments not quoted in an active market are classified as amortized cost. Derivatives are classified as held for trading and are measured as FVTPL.

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b. Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT DEC. 31 US$ THOUSANDS	2020			
	FVTPL	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ 14,108	$ 2,388	$ —	**$ 16,496**
Cash equivalents	15,903	3,062	—	**18,965**
Total cash and cash equivalents	30,011	5,450	—	**$ 35,461**
Foreign exchange forwards	4,723	—	—	**4,723**
Currency swaps	1	—	—	**1**
Interest rate swaps	34	—	—	**34**
Bond futures	2,441	—	—	**2,441**
Total derivative assets	7,199	—	—	**$ 7,199**
Bond				
Government	372,026	29,023	—	**401,049**
Corporate and other	730,971	36,139	21,159	**788,269**
Total debt securities	1,102,997	65,162	21,159	**1,189,318**
Total preferred shares	—	3,019	—	**3,019**
Total mortgages	—	—	128	**128**
Total investments	1,102,997	68,181	21,287	**1,192,465**
Funds withheld liabilities	(12,379)	—	—	**(12,379)**
Bond futures	(122)	—	—	**(122)**
Total derivative liabilities	(122)	—	—	**(122)**

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The Company has assessed and determined that the fair value of loans and receivables approximates their carrying values.

AS AT DEC. 31 US$ THOUSANDS	2019			
	FVTPL	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	$ 5,963	$ 1,810	$ —	**$ 7,773**
Cash equivalents	4,896	692	—	**5,588**
Total cash and cash equivalents	10,859	2,502	—	**13,361**
Foreign exchange forwards	2,344	—	—	**2,344**
Total derivative assets	2,344	—	—	**2,344**
Bond				
Government	175,562	25,005	—	**200,567**
Corporate and other	447,168	29,132	21,309	**497,609**
Total debt securities	622,730	54,137	21,309	**698,176**
Total preferred shares	—	2,872	—	**2,872**
Total mortgages	—	—	490	**490**
Total investments	622,730	57,009	21,799	**701,538**
Bond futures	(661)	—	—	**(661)**
Total derivative liabilities	(661)	—	—	**(661)**

The Company has assessed and determined that the fair value of loans and receivables approximates their carrying values.

c. Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13 Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

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The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy. Also included are financial assets and financial liabilities that are measured at amortized cost.

AS AT DEC. 31 US$ THOUSANDS	2020		
	Level 1	Level 2	Total
Financial Assets			
Fair value through profit or loss			
Cash	$ 14,108	$ —	**$ 14,108**
Cash equivalents	15,903	—	**15,903**
Bonds	—	1,102,996	**1,102,996**
Derivative assets	2,441	4,758	**7,199**
Available for sale			
Cash	2,388	—	**2,388**
Cash equivalents	3,062	—	**3,062**
Bonds	—	65,162	**65,162**
Preferred Shares	3,019	—	**3,019**
Total financial assets	**$ 40,921**	**$ 1,172,916**	**$ 1,213,837**
Financial Liabilities			
Fair value through profit or loss			
Funds withheld liabilities	—	(12,379)	**$ (12,379)**
Derivative liabilities	—	(122)	**$ (122)**
Total financial liabilities	**$ —**	**$ (12,501)**	**$ (12,501)**

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AS AT DEC. 31 US$ THOUSANDS	2019		
	Level 1	Level 2	Total
Financial Assets			
Fair value through profit or loss			
Cash	$ 5,963	$ —	**$ 5,963**
Cash equivalents	4,896	—	**4,896**
Bonds	—	622,730	**622,730**
Derivative assets	—	2,344	**2,344**
Available for sale			
Cash	1,810	—	**1,810**
Cash equivalents	692	—	**692**
Bonds	—	54,137	**54,137**
Preferred Shares	2,872	—	**2,872**
Total financial assets	**$16,233**	**$679,211**	**$695,444**
Financial Liabilities			
Fair value through profit or loss			
Derivative liabilities	$ (661)	$ —	**$ (661)**
Total financial liabilities	**$ (661)**	**$ —**	**$ (661)**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset	Valuation Techniques and Key Inputs
Bonds	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Derivative assets/Derivative liabilities	Foreign currency forward contracts — discounted cash flow model — forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Interest rate contracts — discounted cash flow model — forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Investments measured at amortized cost are individually evaluated for impairment in establishing the allowance for impairment. For the year ended December 31, 2020, the Company recorded an impairment expense of $nil (2019 — $406 thousand).

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There were no transfers between Level 1 and Level 2 and there were no Level 3 investments during or for the years ended December 31, 2020 and 2019.

d. Net investment income

Net investment income is comprised of income earned from the following:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Interest income			
Cash and cash equivalents	**$ 19**	$ 79	$ 36
FVTPL investments	**28,132**	19,464	9,237
AFS investments	**1,320**	1,365	989
Total interest income	**29,471**	20,908	10,262
Dividend income			
AFS investments	**143**	148	62
Total dividend income	**143**	148	62
Realized gains (losses) on investments and derivatives			
FVTPL investments	**3,019**	9,351	(1,418)
Derivatives	**109**	(85)	(1,005)
Gain on derecognition of financial assets measured at amortized cost	**201**	—	53
AFS investments	**32**	(64)	(163)
Total realized gains (losses) on investments and derivatives	**3,361**	9,202	(2,533)
Unrealized gains (losses) on investments and derivatives			
FVTPL investments	**45,813**	26,021	(7,210)
Derivatives	**5,503**	1,012	425
Total unrealized gains (losses) on investments and derivatives	**51,316**	27,033	(6,785)
Impairment expense	**—**	(406)	—
Investment manager fees	**(576)**	(321)	(265)
Total investment income	**83,715**	56,564	741
Investment upfront fees	**203**	533	—
Net investment income	**$83,918**	$57,097	$ 741

On November 19, 2018, the Company derecognized $4,089.0 thousand of financial assets as the rights to receive cash flows and risks and rewards of ownership have been transferred. The proceeds were $4,141.0 thousand, resulting in a gain of $53.0 thousand.

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e. Net investment results from funds withheld

Net investment results from FWH assets are attributable to the reinsurer and not included in the Company's net income for the year. Investment results from FWH assets are credited to the FWH liabilities on the Company's Consolidated Statement of Operations and is comprised of the following:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Interest income			
FVTPL investments	**(19)**	—	—
Total interest income attributable to FWH	**(19)**	—	—
Realized gains (losses) on investments			
FVTPL investments	**(64)**	—	—
Total realized gains (losses) on investments attributable to FWH	**(64)**	—	—
Net gains on FVTPL derivatives attributed to FWH	**(34)**	—	—
Total other investment income attributed to FWH	**(34)**	—	—
Net investment results from FWH	**$(117)**	$—	$—

f. Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, bond futures, bond forwards and interest rate swaps. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments.

Foreign exchange forwards are over-the-counter (OTC) contractual agreements negotiated between counterparties. Futures contracts are traded on an organized market and are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default. As at December 31, 2020, the derivative counterparty credit risk was $7.2 million (2019 — $2.3 million) and the counterparties credit rating was A+ or higher (2019 — A+ or higher).

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Notional principal and the fair value of derivatives are presented in the table below.

AS AT DEC. 31 US$ THOUSANDS	2020			
	Notional principal	Fair value assets	Fair value liabilities	Collateral pledged
Exchange traded				
Bond futures	$192,099	$ 2,441	$ —	$ 12,639
Over-the-counter				
Foreign exchange forwards	235,070	4,723	(122)	—
Bond forwards	401	1	—	—
Interest rate swaps	6,973	34	—	—
Total	**$434,543**	**$ 7,199**	**$ (122)**	**$ 12,639**

AS AT DEC. 31 US$ THOUSANDS	2019			
	Notional principal	Fair value assets	Fair value liabilities	Collateral pledged
Exchange traded				
Bond futures	$154,441	$ —	$ (661)	$ 5,010
Over-the-counter				
Foreign exchange forwards	125,093	2,344	—	—
Total	**$279,534**	**$ 2,344**	**$ (661)**	**$ 5,010**

The Company monitors the fair values of bond futures and forwards on a daily basis, with additional cash collateral obtained or refunded as necessary.

Bond futures, bond forwards and foreign exchange forward contracts mature in less than two years. Interest rate swaps mature in two years and settle on a semi-annual basis. Derivatives are measured at FVTPL and are reported on the Consolidated Statement of Financial Position as Derivative assets or Derivative liabilities. The fair value of exchange-traded futures contracts is determined based on Level 1 inputs. OTC foreign currency forwards and interest rate swaps are valued on the contract notional amounts, which is the difference between contract and market rates. These inputs are derived from observable market data and as such are classified as Level 2 instruments.

As at December 31, 2020, the Company has pledged $13 million of financial assets as collateral under the terms of the derivative contracts (2019 — $5.0 million).

For an analysis of the Company's risks arising from financial instruments and the policies and procedures to manage these risks refer to Note 10 Risk Management.

g. Securities Sold under Agreements to Repurchase

Securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at contract price. Under these agreements, the Company may sell securities from its portfolio for periods of time. In exchange, the Company obtains possession of cash from the financial institution with market

values equal to the principal amount sold under these agreements. As at December 31, 2020, the Company did not have amounts outstanding under repurchase agreements (2019 — $nil). For the year ended December 31, 2020, interest expense paid related to the use of the repurchase agreements was $45 thousand (2019 — $153 thousand, 2018 — $66 thousand).

The cash received by the Company is equal to the market value of the securities sold on the trade date. As at December 31, 2020 and 2019, all of the Company's repurchase agreements mature within two years.

h. Summary of Investments

The following table summarizes the Company's investments in financial assets:

AS AT DEC. 31 US$ THOUSANDS	2020		2019	
	Carrying Amount	**Percent**	Carrying Amount	Percent
Corporate Bonds				
Corporate securities	**$ 764,482**	**64%**	$468,646	67%
Asset backed securities	**23,787**	**2%**	28,963	4%
	788,269	**66%**	497,609	71%
Government Bonds				
United States government	**24,510**	**2%**	16,818	2%
Canada government	**35,395**	**3%**	18,834	3%
Canada provincials	**341,144**	**28%**	164,915	23%
	401,049	**33%**	200,567	28%
Derivatives				
Foreign exchange forwards	**4,723**	**<1%**	2,344	<1%
Bond futures	**2,441**	**<1%**	—	<1%
Other derivatives	**35**	**<1%**	—	<1%
	7,199	**1%**	2,344	1%
Preferred shares				
Canada corporate	**3,019**	**<1%**	2,872	<1%
Mortgages	**128**	**<1%**	490	<1%
Total	**$1,199,664**	**100%**	$703,882	100%

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NOTE 6. PROPERTY AND EQUIPMENT AND ROU ASSET

The Company's property and equipment and ROU asset consist of the following:

	Computers and office equipment	Furniture and fixtures	Leasehold improvements	Software	ROU Asset	Total
Cost						
As at December 31, 2018	41	82	109	140	476	848
Additions	2	—	26	7	—	35
As at December 31, 2019	$ 43	$ 82	$ 135	$ 147	$ 476	$ 883
Additions, net of disposals	(1)	87	255	65	822	1,228
Foreign currency translations .	2	9	19	6	66	102
As at December 31, 2020	**$ 44**	**$ 178**	**$ 409**	**$ 218**	**$1,364**	**$2,213**
Accumulated depreciation						
As at December 31, 2018	24	54	55	65	166	364
Charges for the year	6	11	22	45	119	203
As at December 31, 2019	$ 30	$ 65	$ 77	$ 110	$ 285	$ 567
Depreciation, net of disposals	8	3	(16)	(57)	(53)	(115)
Foreign currency translations .	1	2	—	—	(41)	(38)
As at December 31, 2020	**$ 39**	**$ 70**	**$ 61**	**$ 53**	**$ 191**	**$ 414**
Carrying amount						
December 31, 2020	**$ 5**	**$ 108**	**$ 348**	**$ 165**	**$1,173**	**$1,799**
December 31, 2019	13	17	58	37	191	316

NOTE 7. RELATED PARTY TRANSACTIONS

On March 10, 2020, the Company entered into a lease arrangement with Brookfield Properties (Canada) Inc. ("BPO"), a related party of BAM. The lease arrangement was conducted in the normal course of operations and on market terms. The amount paid to BPO for the leased office facilities and building maintenance for 2020 totaled $230 thousand (2019 — $Nil).

In May 2020, a loan to Cardone Industries, Inc. was extinguished and replaced with warrants of Cardone Partners, LP. Subsequently, the Company entered into a sale transaction with Brookfield Private Equity Direct Investments Holdings LP ("BPEDIH") relating to its warrants in Cardone Partners, LP. The amount paid by BPEDIH to the Company was $5,965 thousand resulting in a gain of $195 thousand. As at December 31, 2020, all amounts were collected. There were no transactions in 2019 with BPEDIH.

The Company entered into outsourcing arrangements with BAM related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to BAM for these services for the year ended December 31, 2020 totaled $411 thousand (2019 — $355 thousand, 2018 — $315 thousand). Amounts due to BAM related to outsourcing arrangements at December 31, 2020 totaled $nil (2019 — $28 thousand).

The Company entered into derivative arrangements related to foreign exchange forwards and interest rate swaps with third party financial institutions through BAM. Amounts outstanding related to unsettled derivative

arrangements at December 31, 2020 totaled $7.2 million (2019 — $2.1 million). The amounts were repaid in full on settlement.

Lastly, the Company has a C$50 million revolving demand credit facility with BAM that matures at the earlier of when repayment is demanded or maturity. The facility is renewed annually for the period of one year. The facility's current maturity is December 2021. The facility is unsecured and bears interest at a money market rate plus a margin. As at December 31, 2020, there were no amounts owing under the facility (2019 — $nil). Interest expense paid in 2020 relating to the use of the credit facility with BAM was $nil (2019 — $nil, 2018 — $31 thousand).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

For the year ended December 31, 2020, short-term employee benefits were paid to key management personnel in the amount of $1.4 million (2019 — $1.3 million, 2018 — $1.3 million).

NOTE 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of the following:

AS AT DEC. 31 US$ THOUSANDS	2020	2019
Premium owing to pension plans	**$1,269**	$1,873
Accrued liabilities	**2,162**	655
Lease liabilities	**1,246**	198
Trade payables	**94**	778
Other	**—**	46
Total accounts payable and accrued liabilities	**$4,771**	**$3,550**

Details relating to the Company's lease liabilities balance, which is reported within Accounts payable and accrued liabilities, is as follows:

AS AT DEC. 31 US$ THOUSANDS	2020	2019
Less than one year	**$ 316**	$144
One to five years	**1,052**	204
Total undiscounted lease liabilities	**$1,368**	**$348**

Interest expense on lease obligations for the year ended December 31, 2020 was $50 thousand (2019 — $10 thousand, 2018 — $15 thousand). Total cash outflow for leases was $316 thousand (2019 — $144 thousand, 2018 — $137 thousand).

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NOTE 9. INSURANCE CONTRACT LIABILITIES

The Company's insurance contract liabilities are as follows:

AS AT DEC. 31 US$ THOUSANDS	2020	2019
Gross	**$1,338,730**	$ 856,364
Reinsurance	**(190,070)**	(197,164)
Total insurance contract liabilities	**$1,148,660**	$ 659,200

Reinsurance assets reflect immediate and deferred annuity payments ceded under the longevity reinsurance and quota share reinsurance arrangements.

a. Nature and composition

The Company's insurance liabilities represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not reached pensionable age. The Company's insurance contracts are a mixture of group annuity "buy-in" policies, where the policyholder is the pension fund and group annuity "buy-out" policies, where the policyholder is the administrator. The Company provides group annuity policies across Canada.

b. Valuation assumptions

The insurance contract liabilities represent the present value of the future annuity payments and expenses measured according to the CALM described in *Note 2(d) Summary of significant accounting policies, section xi) Insurance contract liabilities*. It incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Best-estimate assumptions and margins are reviewed periodically for continued appropriateness.

The principal valuation assumptions and the methods for arriving at these valuation assumptions are outlined below.

Longevity

Mortality assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors including, but not limited to, gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data comprises of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

Mortality improvement assumptions follow the prescribed mortality improvement scales issued by the CIA.

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Investment returns

Projected cash flows from the current assets and liabilities are used in CALM to determine insurance contract liabilities. Assumptions are made regarding rates of returns on supporting assets. Projected cash flows from assets used in the actuarial calculations are reduced to provide for potential asset default losses. The calculation for future credit losses on assets is based on the credit quality underlying the asset portfolio.

Other assumptions

The internal costs of maintaining the insurance contract liabilities, the fees paid to third-party administrators engaged to manage payments under the in-force policies, and fees due to reinsurers and investment management expenses, as well as inflation are factored into the calculation of liabilities where applicable.

c. Net change in insurance contract liabilities

The following table summarizes the movement of insurance contract liabilities from the beginning of the year by its major components:

FOR THE YEAR ENDED DEC. 31, 2020 US$ THOUSANDS	Gross liability	Reinsurance assets	Net
Beginning of year	$ 856,364	$ 197,164	**$ 659,200**
Changes during the year			
New business	413,716	—	**413,716**
Normal changes	52,673	(8,703)	**61,376**
Management actions and changes in assumptions	(24,195)	(1,792)	**(22,403)**
	442,194	(10,495)	**452,689**
Impact of foreign exchange[1]	40,172	3,401	**36,771**
Balance at end of year	**$ 1,338,730**	**$ 190,070**	**$ 1,148,660**

FOR THE YEAR ENDED DEC. 31, 2019 US$ THOUSANDS	Gross liability	Reinsurance assets	Net
Beginning of year	$292,369	$ —	**$ 292,369**
Changes during the year			
New business	521,537	—	**521,537**
Reinsurance entered into in the year	—	198,670	**(198,670)**
Normal changes	17,583	(9,607)	**27,190**
Management actions and changes in assumptions	(1,311)	3,970	**(5,281)**
	537,809	193,033	**344,776**
Impact of foreign exchange[1]	26,186	4,131	**22,055**
Balance at end of year	**$856,364**	**$ 197,164**	**$ 659,200**

1. Presentation currency translation reported as a separate component of Other comprehensive income. See Note 2d*(xvii) Foreign currencies*.

Under fair value accounting, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding

changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal changes above. In 2020, the main contributors to the increase in net insurance contract liabilities were the impact of new business of $414 million and the impact of normal changes of $61 million. Management actions and changes in assumptions lowered the reserves by $22 million. The decrease was primarily due to modelling enhancements related to the reinvestment assumption and asset cash flows.

In 2019, the main contributors to the increase in net insurance contract liabilities were the impact of new business of $521.5 million partially offset by reinsurance transactions of $198.7 million. Management actions and changes in assumptions lowered the reserves by $5.3 million. The decrease was primarily due to updating the expense assumption to reflect the most recent experience analysis, the execution of longevity swaps offset by a revision to the methodology in setting the interest rate risk assumption.

The Company's risks arising from insurance contract liabilities are principally interest rate and longevity. The policies and procedures to manage these risks and sensitivity analysis are described in Note 10 Risk Management.

d. Reinsurance results

For the year ended December 31, 2020, BAC entered into a FWH arrangement with a third-party reinsurer which did not result in after-tax gains on inception. In December 2020, the Company entered into a third-party longevity reinsurance arrangement which resulted in after-tax losses on inception of approximately $1.3 million.

For the year ended December 31, 2019, BAC entered into two longevity reinsurance arrangements which resulted in after-tax gains on inception of approximately $4 million. In 2019, BAC also entered into a quota share reinsurance arrangement which resulted in no after-tax gains on inception recognized by BAC on the ceded portion to the reinsurer.

In 2020, the Company's total fixed and actual payments under longevity reinsurance transactions are $13.8 million and $22.7 million (2019 — $10.0 million and $15.2 million). The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Consolidated Statement of Operations.

Amounts payable relating to reinsurance fees in respect of longevity reinsurance contracts are included in premiums ceded in the Consolidated Statement of Operations:

FOR THE YEAR ENDED	2020	2019
Amounts payable in respect of reinsurance fees	**$481**	$329

NOTE 10. RISK MANAGEMENT

The management of risk is central to the success of the business. The Company seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in business processes.

The Board has overall responsibility for the management of risk and is supported through formal committees of the Board including the Risk Committee.

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The Company manages risk by applying the principles and guidelines outlined in the enterprise risk management policy (the "ERM Policy"). The ERM Policy establishes the overall risk management framework that includes the following:

- Risk inventory — identifies and defines the risks arising from the Company's business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;
- Risk appetite — determines the nature and amount of risk the Company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;
- Risk governance — establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the Company; and
- Risk management process — codifies a consistent approach to the identification, assessment, measurement, control, monitoring and reporting of risks faced by the Company.

As part of the risk governance framework, the Company operates a three lines of defense model. Under this model, the accountabilities of each line of defense are:

- First line — business management: day to day responsibility for managing and identifying risks, ensuring activities are within risk appetite and established policies, and designing and implementing effective internal controls;
- Second line — risk management function: establish enterprise governance, risk and control strategies and policies; provide oversight and independent effective challenge to the first line, as well as training, tools and advice; and
- Third line — internal audit: independently verify the adequacy and effectiveness of the first and second lines of defense, and that the enterprise risk management framework is operating effectively.

An Own Risk and Solvency Assessment ("ORSA") is undertaken at least annually. The ORSA involves a comprehensive assessment of the Company's risks, capital needs and solvency position, as well as solvency forecasting across a range of scenarios including plausible stresses that could jeopardize the Company's business plans. The Company also evaluates its exposure to sustained adverse scenarios through other stress testing techniques such as Dynamic Capital Adequacy Testing (the "DCAT"). Effective 2020, the Company adopted the Financial Condition Testing ("FCT"). FCT is a modernization of the DCAT with the objective of providing a more robust approach to satisfying reporting requirements on expected future financial condition as well as for allowing for better alignment with ORSA.

The Company has established recurring routines for monitoring and reporting on risks. Risk management reports are provided to the Management Oversight Committee ("MOC") on a monthly basis and to the Board and Risk Committee on a quarterly basis. The reports include risk exposures measured against Board-approved risk appetite tolerances, and where relevant, management actions are identified to ensure risk mitigation and controls are effective.

The principal risk factors that affect the Company's operating results and financial condition include financial risks such as market risk, credit risk and liquidity risk, insurance risk and other risks such as regulatory risk.

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The following sections describe the primary financial risks and associated risk management strategies in place that affect the Company's operating results and financial condition.

a. Market risk

The Company's most significant market risks are interest rate risk and foreign exchange risk.

i. Interest rate risk

The Company manages interest rate risk through an asset liability management ("ALM") framework whereby the effective and key rate durations of the investment portfolio are closely matched to that of the insurance contract liabilities. Within the context of the ALM framework, the Company uses derivatives including interest rate swaps and bond futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

The Investment Policy outlines the duration constraints that have been approved by the Board. In operationalizing these constraints, considerably more confining duration-based targets have been established that are closely monitored and reported to the MOC on a monthly basis and to the Board and Risk Committees on a quarterly basis.

The following table shows the sensitivity to changes in interest rates:

AS AT DEC . 31 US$ THOUSANDS	2020		2019	
	50 bps increase	50 bps decrease	50 bps increase	50 bps decrease
Movement in liabilities	**$ 62,847**	**$(62,604)**	$ 33,434	$(33,247)
Movement in assets	**(62,240)**	**62,240**	(35,897)	35,897
Tax effect	**(161)**	**96**	653	(702)
Impact on comprehensive income	**$ 446**	**$ (268)**	$ (1,810)	$ 1,948

The Investment Policy is reviewed at least annually and approved by the Board.

ii. Foreign exchange risk

The Company's obligations under its insurance contracts are denominated in CAD but a portion of the assets supporting these liabilities are denominated in non-Canadian dollars ("non-CAD"). The percentage of assets denominated in non-CAD as at December 31, 2020 and 2019 is 25% and 17%, respectively.

The Company manages foreign exchange risk using foreign exchange forwards. The Investment Policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

As at December 31, 2020, a 10% fluctuation in CAD against non-CAD currencies would have an impact of approximately $188 thousand on net income and $nil on OCI (2019 — $37 thousand on net income and $nil on OCI, 2018 — $2 thousand on net income, $nil on OCI).

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b. Credit risk

Credit risk is the risk of loss from amounts owed by counterparties and arises any time funds are extended, committed, owed or invested through actual or implied contractual arrangements including reinsurance. The Company is primarily exposed to credit risk through its investments in debt securities.

The Company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy.

i. Asset quality

The following table summarizes the external credit ratings for cash and cash equivalents and investments:

AS AT DEC. 31 US$ THOUSANDS	2020		2019	
Cash and cash equivalents	**$ 35,461**	3%	$ 13,361	2%
Bonds				
AAA	**407,608**	33%	43,442	6%
AA	**11,487**	1%	155,634	22%
A	**121,486**	10%	132,004	18%
BBB	**617,060**	50%	335,816	47%
BB	**9,574**	1%	8,719	1%
B	**967**	<1%	1,252	<1%
Unrated	**21,136**	2%	21,309	3%
	1,189,318	97%	698,176	97%
Preferred shares				
P2	**3,019**	<1%	2,872	1%
Mortgages				
Guaranteed by Canada Mortgage and Housing Corporation (“CMHC”)	**128**	<1%	490	<1%
Total cash and cash equivalents and investments	**$1,227,926**	100%	$714,899	100%

The Company’s overall target credit quality for the portfolio is a credit rating of A minus. As at December 31, 2020 and 2019, the Company met this requirement.

ii. Concentration

Concentrations of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics.

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Bonds

The following table provides the fair value of investments by groups of issuers of bonds:

AS AT DEC. 31 US$ THOUSANDS	2020		2019	
Government bond holdings	**$ 401,049**	**34%**	$200,567	29%
Corporate and other bond holdings	**788,269**	**66%**	497,609	71%
Total bond holdings	**$1,189,318**	**100%**	$698,176	100%

The following table discloses the Company's top 5 holdings of issuers (excluding governments), as well as exposure to the largest single issuer of corporate bonds.

AS AT DEC. 31	Unit	2020	2019
Exposure to the top 5 largest issuers of corporate bonds	US$ (000's)	**90,123**	67,998
% of total cash and cash equivalents and investments	%	**7**	10
Exposure to the largest single issuer of corporate bonds	US$ (000's)	**18,173**	13,889
% of total cash and cash equivalents and investments	%	**2**	2

Preferred shares

The Company's holdings of preferred shares are all issued by Canadian companies, with 100% (2019 — 100%) of these investments rated as P-2.

Mortgages

All mortgages are guaranteed by CMHC (2019 — 100%).

iii. Derivative counterparties

Credit risk also arises in respect of derivative contracts to the extent that there is the potential for the counterparties to default on their obligations. To manage this risk, derivative transactions are limited to an approved list of counterparties and in some cases are fully collateralized with highly rated instruments. The derivative counterparty risk as of December 31, 2020 and 2019 was $7.2 million and $2.3 million, respectively. As at December 31, 2020 and 2019, these counterparties have a credit rating of A+ or higher.

iv. Reinsurance counterparties

The Company has reinsurance contracts with third-party registered reinsurers and one third-party unregistered reinsurer with a total exposure of $190.1 million at December 31, 2020 (2019 — $197.2 million). To manage counterparty risk, reinsurance transactions are limited to an approved list of reinsurers with concentration limits to any single reinsurer.

Under the reinsurance contracts with third-party unregistered reinsurers, highly rated assets are required to be pledged to the Company to fully support the ceded liabilities. The Company maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, the Company has the right to liquidate or take legal possession of these assets, in a timely manner.

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As at December 31, 2020, the credit ratings of the reinsurers are A+.

v. Impaired Assets

The Company reviews all reinsurance assets at each reporting date and determined that there is no evidence of impairment as at December 31, 2020 and 2019.

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

Cash outflows primarily consist of benefit payments to policyholders and to a lesser extent, operating expenses and settlement of derivative contracts.

The following table sets out the expected maturity profile of the Company's financial liabilities:

AS AT DEC. 31 US$ THOUSANDS	2020			
	Within 1 year	1 – 5 years	Over 5 years	Total
Insurance contract liabilities	**$ 21,482**	**$ 168,772**	**$ 1,148,476**	**$ 1,338,730**
Due to related party	**4**	**—**	**—**	**4**
Reinsurance payable	**410**	**—**	**—**	**410**
Derivative liabilities	**122**	**—**	**—**	**122**
Current tax liability	**676**	**—**	**—**	**676**
Accounts payable and accrued liabilities	**3,793**	**978**	**—**	**4,771**
Funds withheld liabilities	**12,379**	**—**	**—**	**12,379**
Total	**$ 38,866**	**$ 169,750**	**$ 1,148,476**	**$ 1,357,092**

AS AT DEC. 31 US$ THOUSANDS	2019			
	Within 1 year	1 – 5 years	Over 5 years	Total
Insurance contract liabilities	$ 17,128	$128,455	$ 710,781	$856,364
Due to related party	28	—	—	28
Reinsurance payable	480	—	—	480
Derivative liabilities	661	—	—	661
Current tax liability	172	—	—	172
Accounts payable and accrued liabilities	3,550	—	—	3,550
Total	$ 22,019	$128,455	$ 710,781	$861,255

To manage liquidity risk, the Company as part of its ALM framework, purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to closely match those of the annuity policy liabilities. The Company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

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In addition, the Company has access to a $50 million CAD revolving credit facility with BAM, $118 million repurchase agreement, and $3 million CAD revolving credit facility with highly rated financial institutions. As at December 31, 2020 and December 31, 2019 there were no amounts outstanding under these facilities.

The Management Investment Committee ("MIC") continuously monitors market, credit and liquidity risk. The MIC meets monthly and reports quarterly to the Investment Committee of the Board.

d. Insurance risk

Insurance risk is the risk that actual experience related to benefit payments and expenses does not emerge as expected. The Company is primarily exposed to longevity risk.

Longevity risk is the risk that mortality experience occurs at lower rates than that assumed at the time of pricing which exposes the Company to benefit payments that will be paid for longer periods than anticipated.

Longevity assumptions are derived by adjusting a base mortality table and applying mortality multipliers that vary by plan based on factors established at the time of pricing. These factors take into consideration the characteristics of the annuitants including but not limited to gender, age, job description, latest known salary, geography, and pension amount. These characteristics are further analyzed using a supporting database of over 500,000 Canadian pensioner lives. The data is comprised of a diverse range of survival patterns reflective of the recent past. Models generated from this data are mapped into curves which can then be applied for analysis on an annuitant basis. Further, the Company monitors views and research published by governments, industry and academia on the factors influencing mortality changes and maintains longevity assumptions that are consistent with emerging trends.

These inputs and analytics support the Company's assessment of longevity risk.

To reduce longevity risk, the Company enters into longevity reinsurance transactions with third party reinsurers. Under these contracts, the Company commits to pay the reinsurers a schedule of fixed payments relating to defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of benefit expenses on those blocks to the Company. As at December 31, 2020, the Company has entered into longevity reinsurance contracts and has reinsured approximately 54% of its longevity risk (2019 — 59%, 2018 — No reinsurance transactions).

The following table shows the sensitivity to changes in longevity risk:

AS AT DEC. 31, 2020 US$ THOUSAND	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
(Increase) decrease in insurance contract liabilities	**$ 7,793**	**$ (8,138)**	**$ (10,693)**	**$ 10,855**
Tax effect	**(1,948)**	**2,035**	**2,673**	**(2,714)**
Impact on comprehensive income	**$ 5,845**	**$ (6,103)**	**$ (8,020)**	**$ 8,141**

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AS AT DEC. 31, 2019 US$ THOUSAND	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
(Increase) decrease in insurance contract liabilities	$ 4,362	$ (4,597)	$ (5,580)	$ 5,652
Tax effect	(1,156)	1,216	1,479	(1,498)
Impact on comprehensive income	$ 3,206	$ (3,381)	$ (4,101)	$ 4,154

AS AT DEC. 31, 2018 US$ THOUSANDS	Mortality Rate		Mortality Improvement	
	5% Increase	5% Decrease	50% Increase	50% Decrease
(Increase) decrease in insurance contract liabilities	$ 3,708	$ (4,178)	$ (6,134)	$ 5,284
Tax effect	(983)	1,107	1,626	(1,400)
Impact on comprehensive income	$ 2,725	$ (3,071)	$ (4,508)	$ 3,884

e. Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company's internal control processes are supported by the maintenance of a risk register and independent internal audit review. The risk of fraud is managed through a number of processes including background checks on staff on hire, annual code of conduct confirmations, anti-bribery training and segregation of duties.

The Company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. Material outsourcing arrangements are approved and monitored by the Board.

Disaster recovery and business continuity plans have also been established to manage the Company's ability to operate under adverse conditions.

f. Regulatory risk

Regulatory risk stems principally from the risk of changes to the regulatory environment in which the Company operates. To manage this risk, the Company seeks to a have a regular dialogue with regulators to ensure compliance. Furthermore, senior management participates in industry groups and professional bodies to stay apprised of regulatory changes.

NOTE 11. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least

annually and approved by the Board. The operating capital levels are determined by the Company's risk appetite and ORSA. Furthermore, stress techniques that include the FCT are used to evaluate the Company's capital adequacy under sustained adverse scenarios.

Effective as of January 1, 2018, the Life Insurance Capital Adequacy Test ("LICAT") replaced the prior Minimum Continuing Capital and Surplus Requirements. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The Base Solvency Buffer, defined by OSFI, is the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits. As a Canadian life insurer, BAC is subject to LICAT. With a LICAT ratio of 137%, 164% and 202% as at December 31, 2020, 2019 and 2018, BAC's LICAT ratio is above OSFI's Supervisory Target Total Ratio of 100% and minimum Total Ratio of 90%.

The Company's capital base consists entirely of total equity of $83.0 million and $65.5 million as at December 31, 2020 and 2019.

NOTE 12. SHARE CAPITAL

On December 17, 2020, the Company issued an additional 17,000 common shares to BAM for cash consideration of $13 million (2019 — 5,000 common shares at $4 million). The Company's shares have no stated par value.

BAH's authorized share capital comprises an unlimited number of common shares of which a total of 101,314 were issued and outstanding as at December 31, 2020 (2019 — 84,314), all of which were issued by the Company for total cash consideration of $78 million (2019 — $65 million).

Shares issued and outstanding changed as follows:

AS AT DEC. 31	**2020**		2019	
	Number of Shares (000's)	**Value**	Number of Shares (000's)	Value
Outstanding, beginning of year	**84**	**$64,612**	78	$59,890
Issued	**17**	**13,364**	6	4,722
Outstanding, end of year	**101**	**77,976**	84	64,612

There were no preferred share distributions during the period and the Company has no dilutive instruments outstanding. The components of basic earnings per share are summarized in the following table:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	**2020**	2019	2018
Net income (loss) attributable to shareholders	**$1,608**	$5,527	$(507)
Weighted average — common shares	**85.0**	81.6	70.4
Common shares	**85.0**	81.6	70.4

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NOTE 13. OPERATING EXPENSES

Operating expenses include the following:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Salaries and benefits expense	**$ 2,694**	$2,509	$2,227
Professional services	**2,270**	1,853	1,216
Software	**776**	693	587
Sales and capital taxes[1]	**(1,347)**	435	111
Director fees	**151**	125	108
Depreciation of property, equipment and ROU assets .	**446**	217	229
Licenses and fees	**89**	84	51
Credit rating	**63**	76	76
Other	**463**	444	366
Total operating expenses	**$ 5,605**	$6,436	$4,971

1. Due to new information and experience in 2020, the Company recognized the effect of a change in accounting estimate prospectively in profit and loss.

NOTE 14. INCOME TAXES

Reconciliation to statutory income tax rate:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Current tax:			
Current tax on profits for the year	**$596**	$158	$—
Adjustments in respect of prior years	**(13)**	—	—
Total current tax	**583**	158	—
Deferred tax:			
Origination and reversal of temporary differences	**(42)**	—	—
Income tax expense	**$541**	$158	$—

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The Company's effective income tax rate differs from the statutory income tax rate is as follows:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Net income (loss) before income taxes	**$2,149**	$ 5,685	$(507)
Statutory income tax rate	**25%**	26.7%	26.7%
Income tax at statutory rates	**537**	1,518	(135)
Tax effect of:			
Non-taxable investment income	**(36)**	—	—
Non-deductible items	**2**	43	—
Adjustments relating to prior years	**(13)**	—	—
Unrecognized (recognized) deferred taxes	**(47)**	(1,459)	135
Other	**98**	56	—
Total income tax expense	**541**	158	—

The tax expense relating to components of other comprehensive income is as follows:

Unrealized gain/(loss) on AFS assets	**938**	381	(103)
Tax (charge)/credit	**(237)**	(11)	—
After tax	**701**	267	(103)
Current tax expense	**237**	11	—
Deferred tax expense	**—**	—	—
Total tax expense	**237**	11	—

The current enacted corporate tax rate as it impacts the Company in 2020 is 25.0% (2019 — 26.7%). Due to new information and experience in 2020, the Company prospectively changed its estimate for sales and capital taxes that had been paid in years prior to 2020, resulting in a refund and a change to the tax rate for 2020. Non-taxable investment income includes dividend income from Canadian corporations. Nondeductible items and adjustments relating to prior years relate to differences in property, equipment, leases and meals & entertainment. Unrecognized (recognized) deferred taxes recorded in 2019 primarily relate to non-capital loss carryforwards. Other includes the effects of change in accounting estimates due to new information and experience in 2020 relating to the effective tax rate, operations in a low tax foreign jurisdiction and foreign exchange translation.

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The gross movement on the deferred income tax account is as follows:

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019
Beginning Balance, January 1	—	$ —
Tax booked to income statement	**44**	48
Tax booked to OCI	—	1
Ending Balance, December 31	**44**	49
Derecognition of deferred tax assets	—	(49)
Deferred taxes recognized in the year	**44**	—

Deferred tax asset

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019
Property and equipment	**$39**	$ 47
Lease liability (net of lease assets)	**5**	2
Deferred taxes	**44**	49
Derecognition of deferred tax assets	—	(49)
Deferred taxes recognized in the year	**44**	—

Deferred tax asset recognized relates to temporary differences.

NOTE 15. FINANCIAL COMMITMENT

As at December 31, 2020, BAC had loan commitment agreements with a third party to the maximum of $14.5 million exclusive of taxes and other operating expenses (2019 — $8.4 million), As at December 31, 2020, $10.0 million was loaned (2019 — $5.4 million). The amount was recognized as an unrated bond.

NOTE 16. SUPPLEMENTARY INSURANCE INFORMATION

The following table presents supplementary information for our insurance operations:

AS AT AND FOR THE YEAR ENDED DEC. 31 US$ THOUSANDS	Insurance contract liabilities	Reinsurance assets	Net investment income on reserve	Benefit expenses	Benefit expenses ceded	Gross premiums	Ceded premiums
Dec. 31, 2020	**$1,338,730**	**$ 190,070**	**$ 82,305**	**$63,349**	**$(24,569)**	**$431,070**	**$ (634)**
Dec. 31, 2019	856,364	197,164	55,569	38,645	(13,502)	503,688	(178,579)
Dec. 31, 2018			(236)	13,408	—	160,146	—

CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD ANNUITY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2020 and December 31, 2019 and for the years ended
December 31, 2020, 2019 and 2018

NOTE 17. SUBSEQUENT EVENTS

In December 2020, the Company issued 17,000 common shares to BAM for a total value of $13.4 million.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date, there have been restrictions on the conduct of business in many jurisdictions. The longer-term impacts of the global pandemic will depend on future developments which are highly uncertain, constantly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts on our business.

CONDENSED FINANCIAL STATEMENTS OF BROOKFIELD ANNUITY HOLDINGS INC.

(PARENT COMPANY)

All operating activities of Brookfield Annuity Holdings Inc. (the “Parent Company”) are conducted by its subsidiaries, Brookfield Annuity Company (“BAC”), Brookfield Annuity US Inc. (“BAUS”), North End Re (Bermuda) Ltd. (“NER Ltd.”), and North End Re (Cayman) SPC (“NER SPC”). BAUS is a wholly owned subsidiary of BAC. The Company is a holding company that does not conduct any substantive business operations and does not have any assets other than investments in its subsidiaries. The operating subsidiaries are regulated insurance companies and therefore have restrictions on the ability to pay dividends, loan funds and make other upstream distributions to the Company without prior approval by local regulators.

These condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these condensed financial statements.

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT US$ THOUSANDS	Dec. 31, 2020	Dec. 31, 2019
Assets		
Investments in subsidiaries	**$ 83,163**	$ 65,456
Total Assets	**$ 83,163**	$ 65,456
Equity		
Share capital	**$ 77,976**	$ 64,612
Accumulated surplus (deficit)	**1,646**	38
Accumulated other comprehensive income (loss)	**3,541**	806
Total equity	**$ 83,163**	$ 65,456

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF OPERATING RESULTS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Income (loss) of equity method investments	**$1,608**	$5,527	$(507)
Net income (loss)	**$1,608**	$5,527	$(507)

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Net income (loss)	**$1,608**	$5,527	$ (507)
Other comprehensive income (loss)	**2,735**	3,246	(3,229)
Comprehensive income (loss)	**$4,343**	$8,773	$(3,736)

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	Share Capital	Accumulated Surplus (Deficit)	AOCI	Total
Balance as at Dec. 31, 2019	$ 64,612	$ 38	$ 806	$65,456
Net income (loss)	—	1,608	—	1,608
Other comprehensive income (loss)	—	—	2,735	2,735
Comprehensive income (loss)	—	1,608	2,735	4,343
Equity issuances	13,364	—	—	13,364
Balance as at Dec. 31, 2020	**$ 77,976**	**$ 1,646**	**$ 3,541**	**$83,163**
Balance as at Dec. 31, 2018	$ 59,890	$ (5,489)	$(2,440)	$51,961
Net income (loss)	—	5,527	—	5,527
Other comprehensive income (loss)	—	—	3,246	3,246
Comprehensive income (loss)	—	5,527	3,246	8,773
Equity issuances	4,722	—	—	4,722
Balance as at Dec. 31, 2019	**$ 64,612**	**$ 38**	**$ 806**	**$65,456**
Balance as at Jan. 1, 2018	$ 53,900	$ (4,982)	$ 789	$49,707
Net income (loss)	—	(507)	—	(507)
Other comprehensive income (loss)	—	—	(3,229)	(3,229)
Comprehensive income (loss)	—	(507)	(3,229)	(3,736)
Equity issuances	5,990	—	—	5,990
Balance as at Dec. 31, 2018	**$ 59,890**	**$ (5,489)**	**$(2,440)**	**$51,961**

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ THOUSANDS	2020	2019	2018
Operating activities			
Net income (loss)	**$ 1,608**	$ 5,527	$ (507)
Items not affecting cash			
Equity in undistributed earnings of subsidiary	**(1,608)**	(5,527)	507
Net cash from operating activities	**—**	—	—
Investing activities			
Investments in shares of subsidiary	**(13,364)**	(4,722)	(5,990)
Cash used in investing activities	**(13,364)**	(4,722)	(5,990)
Financing activities			
Issuance of common shares	**13,364**	4,722	5,990
Cash from financing activities	**13,364**	4,722	5,990
Cash and cash equivalents			
Cash and cash equivalents, beginning of the year	**—**	—	—
Net increase (decrease) during the year	**—**	—	—
Cash and cash equivalents, end of the year	**$ —**	$ —	$ —

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

PARENT COMPANY INFORMATION

BROOKFIELD ANNUITY HOLDINGS INC.

SCHEDULE I — NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Brookfield Annuity Holdings Inc (the "Parent Company") is a holding company that conducts all of its business operations through its subsidiaries. The Parent Company (an Ontario corporation) was incorporated on August 13, 2015.

The Parent Company is domiciled in Canada and wholly owns Brookfield Annuity Company ("BAC"), Brookfield Annuity US Inc. ("BAUS"), North End Re (Bermuda) Ltd. ("NER Ltd."), and North End Re (Cayman) SPC ("NER SPC"). BAC is a life insurance company incorporated under the Insurance Companies Act of Canada (the "Act") on August 11, 2016.

BAC received its order to commence business from the Office of the Superintendent of Financial Institutions ("OSFI") on October 3, 2016 and has obtained its licenses in all provinces of Canada. BAC provides pension de-risking solutions through group annuity policies.

NER Ltd. was incorporated on July 13, 2018 in Bermuda under the Bermuda Companies Act 1981. Under the provisions of Section 14, the status of NER Ltd. is that of an exempted company. NER Ltd. is currently in the process of obtaining a license to conduct commercial long-term life and annuity reinsurance business with third party direct insurers.

NER SPC was incorporated on April 17, 2019 under the laws of the Cayman Islands. NER SPC is approved as a Class B (iii) insurer under the Cayman Islands' Insurance Act, 2010 (as amended). The Company is licensed to conduct commercial long-term life and annuity reinsurance business with third-party direct insurers.

The Parent Company has accounted for the earnings of its subsidiaries under the equity method in these unconsolidated condensed financial statements.

The Parent Company's functional currency is CAD. The Company's consolidated financial statements are presented in USD as the functional currency of BAM Re is USD. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income.

For purposes of presenting the consolidated financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the period. Gains or losses on translation of these items are included in other comprehensive income.

No dividends have been received from any of our subsidiaries in the past three years.

NOTE 2. COMMITMENTS AND CONTINGENCIES

The Parent Company has no material commitments or contingencies during the reported periods.