Brookfield

2023

Brookfield Reinsurance Ltd.

ANNUAL REPORT

COMBINED CONSOLIDATED FINANCIAL STATEMENTS OF
BROOKFIELD REINSURANCE LTD.
AS OF DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS ENDED
DECEMBER 31, 2023, 2022 AND 2021

INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Reinsurance Ltd.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brookfield Reinsurance Ltd. and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the combined consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated March 27, 2024, expressed an unqualified opinion on those financial statements.

As described in Management's Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Argo Group International Holdings, Inc., which was acquired on November 16, 2023, and whose financial statements constitute 14% of total assets, 3% of total revenues, and less than 1% of net income of the combined consolidated financial statement amounts as of and for the year ended December 31, 2023. Accordingly, our audit did not include the internal control over financial reporting at Argo Group International Holdings, Inc.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 27, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Brookfield Reinsurance Ltd.

Opinion on the Financial Statements

We have audited the accompanying combined consolidated statements of financial position of Brookfield Reinsurance Ltd. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related combined consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes and the financial statement schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2024 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Future Policy Benefits — Long Duration Targeted Improvements - Refer to Notes 2 and 17 to the financial statements

Critical Audit Matter Description

The Company has long duration product offerings. Liabilities for amounts payable under the long-duration products are recorded in future policy benefits, representing a key balance among total liabilities. The liabilities are measured under ASU 2018-12, "Targeted Improvements to the Accounting for Long Duration Contracts", as adopted January 1, 2023.

While there are many assumptions which management makes to determine future policy benefits, the assumptions with the greatest uncertainty and application of considerable management judgment are those related to mortality and surrender, lapse and withdrawal rates (collectively "policyholder behaviour"). These assumptions required subjective auditor judgment in certain circumstances, including where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) the policyholder behaviour may be irrational. Auditing of certain valuation methodologies and assumptions required subjective auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation methodologies and assumptions related to mortality and policyholder behaviour included the following, among others:

- Testing the effectiveness of management's controls over the valuation of future policy benefits, including those over the development, selection, and implementation of key valuation assumptions used in the actuarial estimates.

- With the assistance of actuarial specialists, we tested the reasonableness of mortality and policyholder behaviour assumptions, by:

  – Evaluating management's methods and assumptions in accordance with applicable actuarial principles and practices under actuarial standards of practice.

  – Testing inputs used in the determination of the mortality and policyholder behaviour assumptions.

  – Analyzing management's methods and interpretation of data used to adjust industry tables, applying industry guidance, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of data, where applicable.

- With the assistance of actuarial specialists, we tested the appropriateness of valuation methodologies used in the estimation process by:

  – Testing the accuracy of the actuarial models for implementation of key assumptions and valuation methodology.

  – Evaluating a sample of underlying insurance contracts to assess that the appropriate actuarial models were selected, and key assumptions were incorporated in those actuarial models.

  – Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's results.

Policy and Contract Claims – Property and casualty liability for unpaid claims and claim adjustment expenses — Refer to Notes 2 and 20 to the financial statements

Critical Audit Matter Description

The Company establishes a liability for unpaid claims and claim adjustment expenses for its property and casualty insurance to provide for the estimated costs of paying claims under property and casualty insurance policies written by the Company. The property and casualty liability for unpaid claims is included within Policy and Contract Claims in the statements of financial position, which had a balance of $7.3 billion as of December 31, 2023. This liability, which includes estimates for both claims that have been reported and claims that have been incurred but not reported, represents the estimate of all claims and claim adjustment expenses associated with processing and settling the claims. The liability for unpaid claims is estimated based on actuarial techniques and using actuarial assumptions for loss development patterns that are based upon the Company's historical experience and consider the effects of current developments and anticipated trends.

Given the subjectivity of estimating the ultimate cost to settle the liability for property and casualty insurance reported and incurred but not reported claims, particularly on long-duration and specialty type businesses, the related audit effort in evaluating the significant assumptions for loss development patterns, and in some cases expected loss ratios, settlement patterns and weighting of actuarial methodologies required a high degree of auditor judgment and an increased extent of effort, including involvement of our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing of key valuation methodologies and assumptions selected by management to estimate the property and casualty liability for unpaid claims and claim adjustment expenses, were performed with the assistance of actuarial specialists, and included the following among others:

- Testing the effectiveness of management's controls over the property and casualty liability for unpaid claims and claim adjustment expenses, including those over the development, selection, and implementation of key valuation methodologies and assumptions used in the actuarial estimates.

- Testing the completeness and accuracy of the underlying data, including historical claims, used to determine the assumptions for loss development patterns, evaluating the appropriateness of the key valuation methodologies and assumptions based on actuarial standards of practice, evaluating the consistency of the selected assumptions used in the Company's valuation model, and testing the mathematical accuracy of the valuation model.

- Evaluating the reasonableness of the Company's estimated property and casualty liability for unpaid losses and loss adjustment expenses by comparing to those independently developed range derived by our actuarial specialists.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 27, 2024

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

COMBINED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DEC. 31 US$ MILLIONS, EXCEPT SHARE DATA	Note	2023	2022
Assets			
Available-for-sale fixed maturity securities, at fair value (net of allowance for credit losses of $30 and $30, respectively; amortized cost of $19,341 and $17,606, respectively)	3	**$ 18,777**	$ 16,316
Equity securities, at fair value	4	**3,663**	1,253
Mortgage loans on real estate, at amortized cost (net of allowance for credit losses of $60 and $41, respectively)	5	**5,962**	5,888
Private loans, at amortized cost (net of allowance for credit loss of $44 and $28, respectively)	6	**1,198**	1,144
Real estate and real estate partnerships (net of accumulated depreciation of $325 and $304, respectively)	7	**3,971**	1,036
Investment funds	8	**2,483**	1,671
Policy loans	11	**390**	374
Short-term investments	11	**3,115**	2,402
Other invested assets	11	**279**	211
Total investments		**39,838**	30,295
Cash and cash equivalents		**4,308**	2,145
Accrued investment income		**280**	341
Deferred policy acquisition costs	14	**2,468**	1,585
Reinsurance funds withheld	12	**7,248**	5,812
Premiums due and other receivables		**711**	436
Ceded unearned premiums		**401**	47
Deferred tax asset	22	**432**	490
Reinsurance recoverables	17, 20	**3,388**	589
Property and equipment (net of accumulated depreciation of $340 and $7, respectively)		**294**	194
Intangible assets (net of accumulated amortization of $9 and $2, respectively)	15	**235**	52
Goodwill	16	**121**	121
Other assets	19	**730**	306
Separate account assets	13	**1,189**	1,045
Total assets		**61,643**	43,458
Liabilities			
Future policy benefits	17	**9,813**	8,011
Policyholders' account balances	18	**24,939**	20,141
Policy and contract claims	20	**7,288**	1,786
Deposit liabilities	12	**1,577**	1,657
Market risk benefit	19	**89**	124
Unearned premium reserve		**2,056**	1,086
Due to related parties	26	**564**	241
Other policyholder funds		**335**	322
Notes payable	8, 11	**174**	151
Corporate borrowings	21	**1,706**	2,160
Subsidiary borrowings	21	**1,863**	1,492
Liabilities issued to reinsurance entities		**114**	151
Other liabilities	16	**1,087**	826
Separate account liabilities	13	**1,189**	1,045
Total liabilities		**52,794**	39,193
Mezzanine equity			
Class A redeemable junior preferred shares ($25 par value; $2,694 aggregate liquidation preference)	23	**2,694**	2,580
Equity			
Class A exchangeable, Class A-1 exchangeable and Class B ($33.42 and $33.70 par value, respectively; 43,409,526 and 9,618,989 issued and outstanding, respectively)	23	**1,577**	423
Class C ($1 par value; 102,056,784 and 40,934,623 issued and outstanding, respectively)	23	**3,607**	1,467
Retained earnings		**945**	310
Accumulated other comprehensive loss, net of taxes	24	**(120)**	(523)
Non-controlling interests		**146**	8
Total equity		**6,155**	1,685
Total liabilities, mezzanine equity and equity		**$ 61,643**	$ 43,458

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

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note		2023		2022		2021
Net premiums	12	$	**4,137**	$	3,011	$	1,016
Other policy revenue			**413**		224		—
Net investment income	10		**1,809**		978		76
Investment related gains (losses)	10		**534**		(185)		(55)
Net investment results from funds withheld			**127**		281		4
Total revenues			**7,020**		4,309		1,041
Policyholder benefits and claims incurred	12, 17, 20		**(3,939)**		(2,852)		(1,065)
Interest sensitive contract benefits	18		**(1,097)**		(357)		(60)
Commissions for acquiring and servicing policies			**(755)**		(413)		—
Net change in deferred policy acquisition costs	14		**670**		339		30
Change in fair value of market risk benefit	19		**72**		127		(12)
Other reinsurance expenses			**(107)**		(78)		(11)
Operating expenses			**(801)**		(439)		(35)
Interest expense			**(249)**		(104)		(1)
Total benefits and expenses			**(6,206)**		(3,777)		(1,154)
Net income (loss) before income taxes			**814**		532		(113)
Income tax recovery (expense)	22		**(17)**		(31)		1
Net income (loss) for the year		**$**	**797**	$	501	$	(112)
Attributable to:							
Brookfield Corporation[1]		**$**	**—**	$	—	$	(17)
Class A exchangeable, Class A-1 exchangeable and Class B shareholders[2]			**5**		6		3
Class C shareholders[2]			**791**		493		(98)
Non-controlling interests			**1**		2		—
		$	**797**	$	501	$	(112)
Net income per Class C share							
Basic	25	**$**	**10.51**	$	13.75	$	(4.92)

1. For the period prior to June 28, 2021. See Note 1(b).
2. For the periods June 28, 2021 onward. See Note 1(b).

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

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	Note	2023	2022	2021
Net income (loss)		**$ 797**	$ 501	$ (112)
Other comprehensive income (loss), net of tax				
Change in net unrealized investment gains (losses)		**579**	(1,007)	(15)
Foreign currency translation		**15**	(2)	(2)
Change in discount rate for future policyholder benefit liability		**(268)**	570	71
Change in instrument-specific credit risk for market risk benefit		**(8)**	(7)	(1)
Defined benefit pension plan adjustment		**85**	—	—
Total other comprehensive income (loss)	24	**403**	(446)	53
Comprehensive income (loss)		**$ 1,200**	$ 55	$ (59)

Attributable to:				
Brookfield Corporation[1]		**$ —**	$ —	$ (12)
Class A exchangeable, Class A-1 exchangeable and Class B shareholders[2]		**5**	6	3
Class C shareholders[2]		**1,194**	47	(50)
Non-controlling interests		**1**	2	—
		$ 1,200	$ 55	$ (59)

1. For the period prior to June 28, 2021. See Note 1(b).
2. For the periods June 28, 2021 onward. See Note 1(b).

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

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Class A exchangeable, Class A-1 exchangeable and Class B shareholders			Class C shareholders					
	Share capital	Retained earnings	Total	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance as of January 1, 2023	**$ 423**	**$ 9**	**$ 432**	**$ 1,467**	**$ 301**	**$ (523)**	**$ 1,245**	**$ 8**	**$ 1,685**
Net income	—	5	5	—	791	—	791	1	797
Other comprehensive income	—	—	—	—	—	403	403	—	403
Comprehensive income	—	5	5	—	791	403	1,194	1	1,200
Other items:									
Equity issuances	1,173	—	1,173	2,130	—	—	2,130	—	3,303
Non-controlling interest assumed on acquisition	—	—	—	—	—	—	—	137	137
Distributions and redeemable preferred share dividends[1,2]	(5)	—	(5)	—	(154)	—	(154)	—	(159)
Other	(14)	—	(14)	10	(7)	—	3	—	(11)
Total change in the year	**1,154**	**5**	**1,159**	**2,140**	**630**	**403**	**3,173**	**138**	**4,470**
Balance as of December 31, 2023	**$ 1,577**	**$ 14**	**$ 1,591**	**$ 3,607**	**$ 931**	**$ (120)**	**$ 4,418**	**$ 146**	**$ 6,155**

1. The Company distributed $0.07 in the form of a return of capital per each Class A exchangeable and Class B share in each quarter of 2023.
2. The Company distributed $0.07 in the form of a return of capital per each Class A-1 exchangeable share in the fourth quarter of 2023.

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

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	Brookfield Corporation Share capital	Brookfield Corporation Retained earnings (deficit)	Brookfield Corporation Accumulated other comprehensive income (loss)	Brookfield Corporation Total	Class A exchangeable and Class B shareholders Share capital	Class A exchangeable and Class B shareholders Retained earnings	Class A exchangeable and Class B shareholders Total	Class C shareholders Share capital	Class C shareholders Retained earnings (deficit)	Class C shareholders Accumulated other comprehensive income (loss)	Class C shareholders Total	Non-controlling interests	Total equity
Balance as of January 1, 2021	**$ 78**	**$ (3)**	**$ 54**	**$ 129**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 129**
Change in accounting policy	—	(1)	(135)	(136)	—	—	—	—	—	—	—	—	(136)
Adjusted balance as of January 1, 2021	78	(4)	(81)	(7)	—	—	—	—	—	—	—	—	(7)
Net income (loss)	—	(17)	—	(17)	—	3	3	—	(98)	—	(98)	—	(112)
Other comprehensive income	—	—	5	5	—	—	—	—	—	48	48	—	53
Comprehensive income (loss)	—	(17)	5	(12)	—	3	3	—	(98)	48	(50)	—	(59)
Other items:													—
Equity issuances / reorganization[1]	(78)	—	—	(78)	539	—	539	963	—	—	963	—	1,424
Distributions[2]	—	—	—	—	(3)	—	(3)	—	—	—	—	—	(3)
Common control transaction adjustments[1]	—	21	76	97	—	—	—	—	(26)	(81)	(107)	—	(10)
Total change in the year	(78)	4	81	7	536	3	539	963	(124)	(33)	806	—	1,352
Balance as of December 31, 2021	**—**	**—**	**—**	**—**	**536**	**3**	**539**	**963**	**(124)**	**(33)**	**806**	**—**	**1,345**
Net income	—	—	—	—	—	6	6	—	493	—	493	2	501
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(446)	(446)	—	(446)
Comprehensive income (loss)	—	—	—	—	—	6	6	—	493	(446)	47	2	55
Other items:													
Equity issuances	—	—	—	—	—	—	—	450	—	—	450	11	461
Distributions[3]					(59)	—	(59)	—	—	—	—	(5)	(64)
Redeemable preferred share dividends	—	—	—	—	—	—	—	—	(68)	—	(68)	—	(68)
Derecognition of equity accounted investments	—	—	—	—	—	—	—	—	—	(44)	(44)	—	(44)
Other	—	—	—	—	(54)	—	(54)	54	—	—	54	—	—
Total change in the year	—	—	—	—	(113)	6	(107)	504	425	(490)	439	8	340
Balance as of December 31, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ 423**	**$ 9**	**$ 432**	**$ 1,467**	**$ 301**	**$ (523)**	**$ 1,245**	**$ 8**	**$ 1,685**

1. See Note 1(b) for details regarding the Spin-off and reorganization.
2. The Company distributed $0.13 in the form of a return of capital per each Class A exchangeable and Class B share in the third and fourth quarters of 2021.
3. The Company distributed $0.14 in the form of a return of capital per each Class A exchangeable and Class B share in each quarter of 2022. In addition, the Company completed a special distribution of shares of Brookfield Asset Management Ltd. (the “Manager shares”) to the holders of the Company’s Class A exchangeable and Class B shares in the amount of $5.481 per share in the fourth quarter of 2022.

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

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Operating activities			
Net income (loss)	**$ 797**	$ 501	$ (112)
Adjustments to reconcile net income to net cash from operating activities:			
Premiums received in kind	**—**	151	(230)
Accretion on investments	**(216)**	(47)	—
Depreciation and amortization	**50**	13	—
Losses (gains) on investments and derivatives and from disposition of business, net	**(604)**	153	28
Provisions for credit losses	**24**	83	16
Income from real estate partnerships, investment funds and corporations	**(190)**	(239)	(8)
Distributions from real estate partnerships, investment funds and corporations	**91**	—	—
Interest credited to policyholders' account balances	**633**	156	86
Deferred income taxes	**12**	22	(25)
Changes in operating assets and liabilities:			
Insurance-related liabilities	**2,928**	1,157	5,470
Deposit liabilities	**(100)**	(25)	1,682
Reinsurance funds withheld	**(1,450)**	(962)	(4,650)
Deferred policy acquisition costs	**(669)**	(382)	(776)
Reinsurance recoverables	**186**	50	22
Accrued investment income	**78**	(223)	—
Working capital and other	**(63)**	236	185
Cash flows from operating activities	**1,507**	644	1,688
Investing activities			
Acquisition of subsidiary, net of cash acquired	**(346)**	(4,086)	—
Disposition of business, net of cash disposed	**72**	—	—
Purchase of investments:			
Fixed maturity, available for sale	**(4,764)**	(10,280)	(4,416)
Equity securities	**(636)**	(1,981)	(879)
Mortgage loans on real estate	**(566)**	(1,398)	(185)
Private loans	**(535)**	(1,537)	(512)
Real estate and real estate partnerships	**(1,359)**	(16)	—
Investment funds	**(808)**	(442)	—
Short-term investments	**(18,012)**	(6,583)	—
Proceeds from sales and maturities of investments:			
Fixed maturity, available for sale	**5,871**	11,882	2,001
Equity securities	**174**	500	21
Mortgage loans on real estate	**671**	916	18
Private loans	**542**	58	36
Real estate and real estate partnerships	**102**	21	—
Investment funds	**235**	233	—
Short-term investments	**17,699**	7,957	—
Purchase of derivatives	**(238)**	(66)	(133)
Proceeds from sales and maturities of derivatives	**66**	191	79
Purchase of intangibles and property and equipment	**(135)**	(24)	(1)
Proceeds from sales of intangibles and property and equipment	**91**	5	—
Purchase of equity accounted investments	**—**	(253)	—
Change in collateral held for derivatives	**243**	8	—
Other	**(176)**	17	—
Cash flows from investing activities	**(1,809)**	(4,878)	(3,971)

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Financing activities			
Issuance of common stock	**—**	450	1,410
Issuance of preferred stock	**—**	2,512	—
Return of capital to common stockholders	**(5)**	(6)	(8)
Proceeds from non-controlling interest	**1**	—	—
Payments to non-controlling interest	**—**	(5)	—
Borrowings from related parties	**614**	258	960
Repayment of borrowings to related parties	**(297)**	(633)	(582)
Borrowings from external parties	**2,242**	5,206	693
Repayment of borrowings to external parties	**(2,729)**	(2,239)	—
Borrowings issued to reinsurance entities	**—**	50	167
Repayment of borrowings issued to reinsurance entities	**—**	(100)	—
Policyholders' account deposits	**4,920**	1,407	—
Policyholders' account withdrawals	**(2,281)**	(896)	—
Debt issuance costs	**—**	(10)	—
Proceeds from repurchase agreement	**313**	388	464
Repayments of repurchase agreement	**(313)**	(388)	(464)
Cash flows from financing activities	**2,465**	5,994	2,640
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**2,145**	393	35
Net change during the year	**2,163**	1,760	357
Foreign exchange on cash balances held in foreign currencies	**—**	(8)	1
Cash and cash equivalents, end of year	**$ 4,308**	$ 2,145	$ 393
Supplementary cash flow disclosures			
Cash taxes paid (net of refunds received)	**$ 68**	$ 52	$ —
Cash interest paid	**123**	85	8

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

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

(a) Brookfield Reinsurance Ltd.

Brookfield Reinsurance Ltd. ("Brookfield Reinsurance" or the "Company") is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company's class A and class A-1 exchangeable shares are listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") under the symbol "BNRE" and "BNRE.A", respectively. The Company's operations are located primarily in Bermuda, the United States ("U.S."), Canada, and the Cayman Islands. The Company's registered head office address is Ideation House, 1st Floor, 94 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the Company's interest in its operating subsidiaries, North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC"), American National Group, LLC ("American National") and Argo Group International Holdings, Inc. ("Argo").

The Company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, Brookfield Reinsurance offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty insurance. The business is presently conducted through our subsidiaries under three operating segments: Direct Insurance, Reinsurance, and Pension Risk Transfer ("PRT").

(b) Spin-off of Brookfield Reinsurance Ltd.

On June 28, 2021, Brookfield Corporation ("Brookfield"), formerly Brookfield Asset Management Inc., completed the spin-off of the Company (the "Spin-off"), which was affected by way of a special dividend of the class A exchangeable limited voting shares ("class A exchangeable shares") of the Company to holders of Brookfield Class A limited voting shares ("Brookfield Class A Shares") and Class B limited voting shares ("Brookfield Class B Shares") as of June 18, 2021 (the "record date"). Pursuant to the special dividend, as of the record date, holders of Brookfield Class A Shares and Class B Shares received one class A exchangeable share for every 145 Brookfield Class A Shares or Brookfield Class B Shares held. Brookfield holds all the class C non-voting shares ("class C shares"), giving it the residual economic interest in the Company, but no voting interest in it.

Prior to the Spin-off, Brookfield effected a reorganization so that the Company's PRT business (the "Business") and other investments that were historically owned and operated by Brookfield, through its operating entities, were acquired by BAM Re Holdings, a subsidiary of the Company.

The following describes the transactions and agreements resulting from the Spin-off:

(i) Class A exchangeable shares

As part of the Spin-off, Brookfield subscribed for 11 million class A exchangeable shares for approximately $538 million in cash. Upon the Spin-off, Brookfield distributed the 11 million class A exchangeable shares as a special dividend to the Brookfield shareholders who hold Brookfield Class A Shares and Brookfield Class B Shares. The 2023, 2022 and 2021 rollforwards of outstanding shares are provided in Note 23, Share Capital.

(ii) Class B shares

As part of the Spin-off, holders of Brookfield Class B shares ("Brookfield Reinsurance Class B Partners"), through a voting trust, subscribed for 24,000 class B shares for $1 million.

(iii) Class C shares

As part of the Spin-off, Brookfield transferred its ownership in the Business along with its holdings of American Equity Investment Life Holding Company ("AEL Holdings") common shares and additional cash for working capital purposes to the Company. The total value of the consideration provided to the Company was approximately $712 million, which was exchanged for 17 million class C shares. In October 2021, the Company issued an additional 7 million class C shares for consideration of $250 million. The 2023, 2022 and 2021 rollforwards of outstanding shares are provided in Note 23, Share Capital. As of December 31, 2023, there were 102 million class C shares outstanding (2022 – 41 million; 2021 – 24 million).

(iv) Equity Commitment

As part of the Spin-off, Brookfield provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of a number of class C shares or junior preferred shares. Further details of the equity commitment are described in Note 26, Related Party Transactions.

(v) Credit Agreement

As part of the Spin-off, the Company entered into a credit agreement with Brookfield, including its subsidiaries and controlled companies (the "Brookfield Credit Agreement") as lender on June 28, 2021, providing for a three-year revolving $200 million credit facility. On March 9, 2022, the revolving credit facility agreement was increased to $400 million. Further details of the Brookfield Credit Agreement are described in Note 21, Corporate and Subsidiary Borrowings and Note 26, Related Party Transactions.

(vi) Support Agreement

As part of the Spin-off, the Company entered into a support agreement with Brookfield (the "Support Agreement"). Brookfield has agreed to support the economic equivalence of the class A exchangeable shares and Brookfield Class A Shares for so long as class A exchangeable shares not owned by Brookfield are outstanding, and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable the Company to pay quarterly distributions, the liquidation amount, or the amount payable on a redemption of class A exchangeable shares, as the case may be. Further details of the Support Agreement are described in Note 26, Related Party Transactions.

(vii) Rights Agreement

As part of the Spin-off, the Company entered into a rights agreement with Brookfield (the "Rights Agreement"), pursuant to which Brookfield has agreed that on the applicable specified exchange date with respect to any class A exchangeable shares submitted for exchange, Brookfield will satisfy, or cause to be satisfied, the obligations pursuant to our memorandum of association and by-laws to exchange such subject class A exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. Further details of the Rights Agreement are described in Note 26, Related Party Transactions.

(viii) Administration Agreement

As part of the Spin-off, the Company entered into an administration agreement with Brookfield (the "Administration Agreement"), pursuant to which Brookfield has agreed to provide administrative services to the Company, including the services of our Chief Executive Officer and Chief Investment Officer and certain other administrative services, on a cost-recovery basis. On August 5, 2022, the Administration Agreement was amended to include providing the services of the Chief Financial Officer. Further details of the Administration Agreement are described in Note 26, Related Party Transactions.

(ix) Investment Management Agreement

As part of the Spin-off, the Company entered into one or more Investment Management Agreements appointing Brookfield as the investment manager of certain assets and accounts, including assets backing the liabilities assumed by the Company under the insurance and future reinsurance arrangements, and any assets held as surplus. Further details of the Brookfield Investment Management Agreements are described in Note 26, Related Party Transactions.

(x) Licensing Agreement

As part of the Spin-off, the Company entered into a licensing agreement with Brookfield (the "Brookfield Licensing Agreement"), pursuant to which Brookfield has granted a non-exclusive, royalty-free sub-license to use the name "Brookfield" and the Brookfield logo. Further details of the Brookfield Licensing Agreement are described in Note 26, Related Party Transactions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined consolidated financial statements ("financial statements") and notes thereto, including all prior periods presented, have been prepared under accounting principles generally accepted in the United States of America ("GAAP"). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars ("USD") rounded to the nearest million unless otherwise indicated.

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Included among the material (or potentially material) reported amounts and disclosures that require use of estimates are: fair value of certain financial assets, derivatives, allowances for credit losses, deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA"), goodwill and other intangibles, market risk benefits, future policy benefits ("FPB"), pension plans, income taxes including the recoverability of our deferred tax assets, and the potential effects of resolving litigated matters. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

Adoption of new accounting standards

The Company adopted the following Accounting Standards Updates ("ASU"), issued by the Financial Accounting Standards Board ("FASB"), during the year. ASUs not listed below were assessed and determined to be either not applicable or insignificant in presentation or amount.

ASU 2018-12 – For long duration insurance contracts, ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI"), issued in August 2018, changes the measurement and disclosures of insurance liabilities and DAC for long-duration contracts issued by insurers. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted LDTI effective January 1, 2023 with a transition date of January 1, 2021.

Initial adoption for the liability for future policy benefits and DAC is required to be reported using either a full retrospective or modified retrospective approach. MRB are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. For MRB, full retrospective application is required. The Company has elected to apply a modified retrospective transition method for the liability for future policy benefits and DAC. NER Ltd. and NER SPC began writing business in September 2021, and American National and Argo were acquired in May 2022 and November 2023, respectively. Therefore, the LDTI adoption date for NER Ltd. and NER SPC was as of the business inception and was as of the acquisition date for American National and Argo.

The transition date impacts associated with the implementation of LDTI were applied as follows:

Market risk benefits – The transition approach for MRBs required assessing products to determine whether contract or contract features expose the Company to other-than-nominal capital market risk. The population of MRBs identified was then reviewed to determine the historical measurement model prior to adoption of LDTI.

At the transition date, the impacts to the financial statements of the full retrospective approach for MRBs include the following:

- The amounts previously recorded for these contracts within additional insurance liabilities and other insurance liabilities were reclassified to MRB liabilities;
- The difference between the fair value of the MRBs and the previously recorded carrying value at the transition date, including the cumulative effect of changes in non-performance risk of the Company, was recorded as an adjustment to the opening balance of VOBA liability.

Future policy benefits – The transition approach for FPB utilized a defined valuation premium method. This process required grouping contracts in-force as of the transition date into cohorts, and then calculating the revised FPB, using a net premium ratio, best estimate cash flow assumptions without a provision for adverse deviation and the locked-in discount rate.

The LDTI guidance is not prescriptive as to the appropriate level of aggregation for disclosures; however, amounts from different reportable segments cannot be aggregated. Factors considered in determining the level of aggregation for disclosures include the type of coverage, geography and market or type of customer. We have identified the following levels of aggregation for LDTI disclosures: Direct Insurance, Reinsurance and PRT. The disclosures do not include levels of aggregation for insignificant balances.

The adoption of LDTI resulted in a decrease of $1 million and $135 million in retained earnings and accumulated other comprehensive income, respectively. As part of the LDTI adoption, the Company reviews for updates to cash flow assumptions at least annually, and at the same time every year by cohort or product. The Company also reviews more frequently and updates its cash flow assumptions during an interim period if evidence suggests cash flow assumptions should be revised.

ASU 2022-02 – On January 1, 2023, the Company adopted ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings ("TDR") and Vintage Disclosures. This ASU eliminates TDR recognition and measurement guidance and instead requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU was applied prospectively and did not have a material impact on the consolidated financial statements upon adoption but could change the future recognition and measurement of modified loans.

ASU 2020-04 – On April 1, 2023, the Company adopted ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, with certain exceptions. The amendments are effective for contract modifications made between March 12, 2020 and December 31, 2024. The Company's inventory of LIBOR exposures is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR did not have a material impact to the Company's financial statements. Accordingly, this ASU has not had a material impact on the Company's financial statements to date.

Basis of Consolidation

These financial statements include the accounts of the Company and its consolidated subsidiaries, which are legal entities where the Company has a controlling financial interest by either holding a majority voting interest or as the primary beneficiary of the variable interest entity ("VIE"). All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

For a legal entity in which the Company holds a variable interest, the Company first considers whether it meets the definition of a VIE and therefore should apply the guidance under the VIE model. An entity is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient for the legal entity to finance its activities without additional subordinated financial support; (b) the holders of the equity investment at risk as a group lack either the power to direct the most significant activities of the entity, the obligation to absorb the expected losses, or the right to receive the expected residual returns; or (c) the entity is structured with non-substantive voting rights, where the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of the investor with disproportionately few voting rights.

The Company consolidates all VIEs for which it is the primary beneficiary, which is the case when the Company has both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Entities that are determined not to be VIEs are voting interest entities ("VOEs"), which are evaluated under the voting interest model, under which a controlling financial interest is established through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE, depends on the specific facts and circumstances for each entity and requires judgment.

Class A exchangeable shares: the Company's equity interests include the class A exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield), plus unpaid distributions.

Each class A exchangeable share, held on the record date, has voting rights and is entitled to cast one vote at a meeting of shareholders of the Company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the Company and as a result are not adjusted for changes in market value. As class A exchangeable shares rank in priority to the class C shares, they are not considered common stock of the Company.

Class A-1 exchangeable shares: the Company's equity interests include the class A-1 exchangeable shares held by public shareholders. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class A-1 exchangeable shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Share. Each class A-1 exchangeable share, which has no voting rights, is convertible for one Class A exchangeable share and is exchangeable for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the discretion of Brookfield), plus unpaid distributions, at the option of the holder.

The class A-1 exchangeable shares are classified as equity instruments. The class A-1 exchangeable shares are issued capital of the Company and as a result are not adjusted for changes in market value. As class A-1 exchangeable shares rank in priority to the class C shares, they are not considered common stock of the Company.

Class B shares: the Company's equity interests include the class B shares held by Brookfield Reinsurance Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination thereof. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The Brookfield Reinsurance Class B Partners are entitled to one vote on any matter and can cast one vote for each class B share held at the record date.

The class B shares are classified as equity instruments. The class B shares are issued capital of the Company and as a result are not adjusted for changes in market value. As class B shares rank in priority to the class C shares, they are not considered common stock of the Company.

Class C shares: the Company's equity interests include the class C shares held by Brookfield. The class C shares are non-voting shares that are entitled to the residual economic interest in the Company after payment in full of the amount due to holders of our class A and A-1 exchangeable shares and our class B shares and subject to the prior rights of holders of the Class A redeemable junior preferred shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the Company and as a result are not adjusted for changes in market value.

Class A redeemable junior preferred shares: on May 25, 2022, the Company issued 98,351,547 Class A Junior Preferred Shares, Series 1 ("Class A redeemable junior preferred shares"), to Brookfield, for proceeds of $2.5 billion. On December 9, 2022, Brookfield Reinsurance issued 2,108,733 Class A Junior Preferred Shares, Series 2 ("Class A redeemable junior preferred shares") for $53 million to Brookfield. These redeemable junior preferred shares are non-voting and entitle the holders thereof to a fixed cumulative 4.5% preferential cash dividend payable annually as and when declared by the issuer's board of directors.

Each of these junior preferred shares is redeemable at the option of the holder at any point on or after the 50th anniversary of the date of issue at $25 plus accrued and unpaid dividends, subject to certain restrictions. These junior preferred shares are also convertible into the Company's Class C shares at a conversion rate equal to $25 plus accrued and unpaid dividends divided by the then fair market value of a Class C share. Due to the holder redemption option, these junior preferred shares have been classified as mezzanine equity, measured at their redemption value at each reporting date on the combined consolidated statements of financial position ("statements of financial position"). The dividends are recognized as a reduction of retained earnings in the combined consolidated statements of changes in equity ("statements of equity").

Business combinations are accounted for using the acquisition method. The purchase consideration of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets transferred, liabilities incurred, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree, if applicable, is initially measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill.

Transaction costs are recorded as operating expenses on the consolidated statements of operations ("statements of operations").

Available-for-sale fixed maturity securities primarily include bonds, asset backed securities ("ABS") and private debt securities. Available-for-sale fixed maturity securities, which may be sold prior to their contractual maturity, are classified as available-for-sale ("AFS") and are carried at fair value with changes in fair value recognized in other comprehensive income, except for those that are designated as hedged items in a fair value hedge, for which changes in fair value are recognized during the period of the hedge in "Investment related gains (losses)" within the statements of operations.

For available-for-sale fixed maturity securities in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized cost basis is written down to fair value through income in "Investment related gains (losses)" within the statements of operations. Refer to Credit Loss Allowances within this note for impairment or credit loss-related considerations.

Equity securities primarily include common stock, preferred stock and private equity. Equity securities are carried at fair value with changes in fair value recognized in "Investment related gains (losses)" within the statements of operations, except for certain of private equity, which are carried at cost less impairment, if any, due to the lack of their readily determinable fair values.

Mortgage loans and private loans are both measured at amortized cost using the effective interest rate method. The amortized cost basis includes the unamortized principal, interest, discounts or premiums and deferred expenses, net of allowances for expected credit loss. Interest income, prepayment fees, and amortization of premiums and discounts and origination fees are reported in "Net investment income" in the statements of operations. However, interest ceases to accrue for loans that are impaired or in default, which is when payments are more than 90 days past due, when collection is not probable, or when a loan is in foreclosure. When a loan is placed on non-accrual status, uncollected past due accrued interest income that is considered uncollectible is charged off against net investment income. Income on impaired loans is reported on a cash basis. When collection of the impaired loan becomes probable again, it is placed back into accrual status. Cash receipts on impaired loans are recorded as a reduction of principal, interest income, expense reimbursement, or other manner in accordance with the loan agreement. In the statements of operations, gains and losses from the sale of loans and changes in allowances are reported in "Investment related gains (losses)" within the statements of operations.

Mortgage loans and private loans are both presented net of the Company's recorded allowance for expected credit loss, which represents the portion of amortized cost basis that the Company does not expect to collect. Refer to Credit Loss Allowances within this note.

Policy loans are carried at the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, the carrying value of policy loans approximates fair value.

Real estate and real estate partnerships are comprised of investment real estate, as well as real estate joint ventures and other limited partnerships.

Investment real estate including related improvements are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset (typically 15 to 50 years). Rental income is recognized on a straight-line basis over the term of the respective lease in “Net investment income” within the statements of operations.

The Company periodically reviews its investment real estate for impairment and tests properties for recoverability whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and the carrying value of the property exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, with the impairment loss included as an adjustment to “Investment related gains (losses)” in the statements of operations. Impairment losses are based upon the estimated fair value of real estate, which is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks as well as other appraisal methods. Real estate acquired upon foreclosure is recorded at the lower of its cost or its estimated fair value at the date of foreclosure.

The Company classifies a property as held-for-sale if it commits to a plan to sell a property within one year and actively markets the property in its current condition for a price that is reasonable in comparison to its estimated fair value. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated while it is classified as held-for-sale.

Real estate joint ventures and other limited partnership interests include VIEs for which the Company has significant influence over the investee’s operations without a controlling financial interest, and are accounted for using the equity method of accounting. For certain joint ventures or limited partnerships, the Company records its share of earnings using a lag methodology of one to three months when timely financial information is not available, and the contractual right does not exist to receive such financial information. Certain real estate limited partnership interests are carried at cost less impairment, if any.

The Company routinely evaluates its investments in those investees for impairment. The Company considers financial and other information provided by the investee, other known information, and inherent risks in the underlying investments, as well as future capital commitments, in determining whether impairment has occurred. When an impairment is deemed to have occurred at the joint venture level, the Company recognizes its share as an adjustment to “Net investment income” to record the investment at its fair value. When an impairment results from the Company’s separate analysis, an adjustment is made through “Investment related gains (losses)” to record the investment at its fair value.

Investment funds are primarily comprised of certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures for which the Company is not the primary beneficiary and therefore is not required to consolidate. The Company typically accounts for investment funds using the equity method of accounting, where the cost is recorded as an investment in the fund upon initial recognition, unless fair value option is elected. Under equity method, adjustments to the carrying amount reflect the Company’s pro rata ownership percentage of the operating results as indicated by net asset value (“NAV”) in the investment fund financial statements, which can be on a lag of up to three months when investee information is not received in a timely manner.

Short-term investments include highly liquid securities and other investments with original maturities of over 90 days and less than one year at the date of acquisition. Securities included within short-term investments are stated at fair value with amortized cost used as an approximation of fair value for certain investments.

Derivative instruments are carried at fair value. Derivative instruments are purchased to manage foreign currency exposure and other market risks associated with certain assets and liabilities. Derivative instruments are recorded at fair value on the acquisition date and subsequently revalued at fair value at each reporting date. Derivative instruments with positive values are recorded as derivative assets within “Other invested assets” and derivative instruments with negative fair values are reported as derivative liabilities within “Other liabilities” in the statements of financial position. If a derivative is not designated for hedge accounting, changes in the fair value of derivatives are recorded in “Investment related gains (losses)” in the statements of operations.

Where the Company has a master netting agreement with its counterparty that allows for the netting of the Company's derivative asset and liability positions, the Company elects to offset such derivative assets and liabilities and present them on a net basis on the statements of financial position. Further, in some instances, the Company holds collateral to offset exposure from its counterparties relating to its derivative instruments. The Company elects to offset collateral supporting credit risk that is restricted to the Company's use for the derivative exposure when a master netting arrangement is in place and all offsetting criteria are met.

Hedge accounting

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. In its hedge documentation, the Company identifies (i) how the hedging instrument is expected to hedge the designated risks related to the hedged item, (ii) the method that will be used to retrospectively and prospectively assess the hedge effectiveness; and (iii) the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the hedge accounting relationship.

The Company applies fair value hedge accounting treatment to certain of its qualifying derivative instruments in relation to foreign currency risks of certain available-for-sale fixed maturity securities. Under a fair value hedge, the changes in the fair value of of the hedging derivative and changes in the fair value of the hedged items related to the designated risk being hedged are reported on the statements of operations in the same line item. When the hedged items are available-for-sale fixed maturity securities, changes in fair value of the hedged items that relate to the designated risk are recognized in earnings instead of other comprehensive income, and the carrying values of the hedged items are not remeasured.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value of a hedged item; (ii) the derivative expires, is sold, terminated or exercised; or (iii) the derivative is de-designated as a hedging instrument. When the hedge accounting is discontinued, the derivative continues to be carried at fair value on the statements of financial position, with changes in the fair value recognized in "Investment related gains (losses)" in the statements of operations.

Other invested assets are primarily comprised of derivatives instruments. Federal Home Loan Bank stock, as well as separately managed accounts which are portfolios of individual securities, such as stocks or bonds, that are managed on behalf of the Company by an investment manager, are also included in other invested assets and are carried at cost or market value if available from the account manager. Other invested assets also include tax credit partnerships and mineral rights less allowance for depletion, where applicable.

Reinsurance recoverables include the reinsurance receivables from cedants or reinsurers, and reinsurance recoverables from reinsurers.

In the normal course of business, the Company is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured.

For long term duration contracts, reinsurance recoverables include amounts due from reinsurers for paid or unpaid claims, claims incurred but not reported ("IBNR") or policy benefits and are presented net of a reserve for collectability. The Company cedes disability, medical and long-term care insurance as well as PRT contracts with significant insurance risk to other insurance companies through reinsurance.

For short term duration contracts, reinsurance recoverables are the estimated amount due to the Company from reinsurers related to paid and unpaid ceded claims and claim adjustment expenses ("CAE") and are presented net of a reserve for collectability. Recoveries of gross ultimate losses under the non-catastrophe reinsurance are estimated by a review of individual large claims and the ceded portion of IBNR claims using assumed distribution of loss by percentage retained. Recoveries of gross ultimate losses under our catastrophe reinsurance are estimated by applying reinsurance treaty terms to estimates of gross ultimate losses. The most significant assumption is the average size of the individual losses for those claims that have occurred but have not yet been reported and the estimate of gross ultimate losses. The ultimate amount of the reinsurance ceded recoverable is unknown until all losses settle.

Reinsurance receivables include amounts receivable from third party reinsurers and cedants which are expected to be settled within a year. Reinsurance receivables are short-term in nature, and their fair values approximate carrying value.

Credit loss allowances and impairments

Available-for-sale fixed maturity securities

For available-for-sale fixed maturity securities in an unrealized loss position, if the Company does not intend to sell the security or will not be required to sell the securities before recovery of its amortized cost basis, the Company evaluates whether the decline in fair value has resulted from credit loss or market factors.

In making this assessment, management first calculates the extent to which fair value is less than amortized cost, consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this qualitative assessment indicates that a credit loss may exist, the present value of projected future cash flows expected to be collected is compared to the amortized cost basis of the security. The net present value of the expected cash flows is calculated by discounting management's best estimate of expected cash flows at the effective interest rate implicit in the available-for-sale fixed maturity security when acquired.

If the present value of expected cash flows is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income in "Investment related gains (losses)" limited to the amount fair value is less than amortized cost. If the fair value is less than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists which is recorded in other comprehensive income (loss) for the difference between the fair value and the net present value of the expected cash flows.

Expected credit losses

The Company records an allowance for credit loss in earnings within "Investment related gains (losses)" in an amount that represents the portion of the amortized cost basis of mortgage and private loans that the Company does not expect to collect, resulting in the loans being presented at the net amount expected to be collected. In determining the Company's credit loss allowances, management applies significant judgment to estimate expected lifetime credit loss, including: (i) pooling loans that share similar risk characteristics, (ii) considering expected lifetime credit loss over the contractual term of its loans adjusted for expected prepayments and any extensions, and (iii) considering past events and current and forecasted economic conditions. The allowance is calculated quarterly for each loan type based on its unique inputs. The Company uses the discounted cash flow model to assess expected credit loss.

Mortgage loans – On an ongoing basis, mortgage loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality) and collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is probable) may be evaluated individually for credit loss. The allowance for credit losses for loans evaluated individually is established using the same methodologies for the overall portfolio except for collateral dependent loans.

The allowance for a collateral dependent loan, which is typically a mortgage loan, is established as the excess of amortized cost over the estimated fair value of the loan's underlying collateral, less selling cost when foreclosure is reasonably possible or probable. Accordingly, the change in the estimated fair value of collateral dependent loans is recorded as a change in the allowance for credit losses which is recorded on a quarterly basis as a charge or credit to earnings.

The Company's mortgage loans are primarily originated and are not purchased in the secondary market; as such, the mortgage loans would not generally be subject to purchased credit deteriorated considerations.

Private loans – For private loans, credit loss allowances are estimates of expected credit losses, established for loans upon origination or purchase, considering all relevant information available, including past events, current conditions, and reasonable and supportable forecasts over the life of the loans. The estimates of expected credit losses are developed using a quantitative probability of default and loss given default methodology, in which default assumptions reflect applicable agency credit ratings or, when such external credit ratings are not available, internally developed ratings. Loans are evaluated on a pooled basis when they share similar risk characteristics; otherwise, they are evaluated individually.

Reinsurance recoverables – In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, or when events or changes in circumstances indicate that its carrying amount may not be recoverable, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, consistent with credit loss guidance which requires recording an allowance for credit loss.

Premiums receivable – Premiums receivable are included in “Other assets” in the statements of financial position and are stated net of allowances for uncollectible premiums, including expected lifetime credit losses, both dispute and credit related. The allowance is based upon our ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. Credit risk is partially mitigated by our ability to cancel the policy if the policyholder does not pay the premium.

Accrued investment income is presented separately on the statements of financial position and excluded from the carrying value of the related investments, primarily available-for-sale fixed maturity securities and mortgage loans. The Company has made an accounting policy election not to measure an allowance for credit losses for accrued interest receivable on amortized cost investments and to directly write off the uncollectible balance.

Reinsurance funds withheld are receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which the subsidiaries of the Company act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies’ general accounts and are managed by our subsidiaries. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies’ insolvency, the subsidiaries would need to assert a claim on the assets supporting the reserve liabilities. However, the subsidiaries have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The subsidiaries are subject to the investment performance and have all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by the subsidiaries. The underlying agreements contain embedded derivatives. Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the statements of financial position and presented within “Reinsurance funds withheld”. Changes in the fair value are included in the “Net investment results from funds withheld” in the statements of operations, as discussed in Derivative Instruments (Note 9).

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to thirty years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The right-of-use asset is depreciated on the straight-line basis over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

The Company reviews its property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets include definite-lived intangible assets which are carried at cost less accumulated amortization and indefinite-lived intangible assets not subject to amortization, carried at cost. Amortization expense is primarily calculated using the straight-line amortization method.

The Company assesses the impairment of definite-lived intangible assets in accordance with its policy for the impairment of property and equipment. The Company assesses the impairment of indefinite-lived intangible assets in accordance with its policy for the impairment of goodwill.

The Company’s intangible assets are primarily from the acquisition of American National and Argo. Definite-lived intangible assets include distributor relationships, trade names and an unpaid claims reserve intangible asset. Indefinite-lived intangible assets represent insurance licenses.

(i) *Distributor relationships*

The distribution assets reflect relationships American National and Argo have with their respective third-party intermediaries that generate new business for the Company. These assets were valued using the multi-period excess-earnings method, which derives value based on the present value of the after-tax cash flows attributable to the intangible asset only. The useful life of distributor relationships is approximately 15 to 20 years.

(ii) *Trade names*

This represents trade names of American National and Argo and was valued using the relief from royalty method, which derives value based on present value of the after-tax royalty savings attributable to owning the intangible asset. The useful life of the trade name is 10 years for American National and 5 years for Argo.

(iii) *Unpaid claims reserve intangible asset*

As part of the acquisition of Argo, the Company recognized an intangible asset that represents the difference between the liability for unpaid claims and claim adjustment expenses measured in accordance with the acquiring company's accounting policies and the estimated fair value of such liability at the acquisition date. Unpaid claims reserve intangible asset is amortized based on the payout pattern of the acquired liability for unpaid claims and claim adjustment expenses.

(iv) *Insurance licenses*

Given the highly regulated nature of the insurance industry, companies are required to hold certain licenses to operate. These licenses are valued using the comparable transaction method based on observable license transactions in the insurance industry. Insurance licenses represent an indefinite-lived intangible asset.

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to successfully acquire insurance, reinsurance, and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

Insurance contracts are grouped into cohorts by contract type and issue year consistent with estimating the associated liability for future policy benefits. DAC is amortized on constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. DAC will be amortized over the bases on a straight-line basis, all of which provide a constant level representation of contract term.

Product(s)	Amortization base
Traditional life products	Nominal face amount
Life contingent payout annuities	Annualized benefit amount in force
Health products	Original annual premium
Fixed deferred annuities, fixed index annuities, variable annuities	Policy count
Universal life products	Initial face amount
Property and Casualty	Earned premium

The Company reviews and updates actuarial experience assumptions (such as mortality, surrenders, lapse and premium persistency) serving as inputs to the models that establish the expected life for DAC and other actuarial balances during the third quarter of each year, or more frequently if evidence suggests assumptions should be revised. The Company makes model refinements as necessary, and any changes resulting from these assumption updates are applied prospectively.

Amortization of DAC is included in the "Net change in deferred policy acquisition costs" on the statement of operations.

For short-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts.

Prior to the adoption of LDTI, DAC was amortized with interest over gross profits or premiums with retrospective and prospective unlocking through the statements of operations. Actual and projected deferrals were included in the ratio of the value of deferrable expenses to the value of estimated gross profits. Additionally, DAC was subject to loss recognition testing with changes recognized in the statements of operations, while shadow DAC adjustments for unrealized gains and losses were recognized in the statements of comprehensive income.

Value of business acquired ("VOBA") is an intangible asset or liability resulting from a business combination that represents the difference between the policyholder liabilities measured in accordance with the acquiring company's accounting policies and the estimated fair value of the same acquired policyholder liabilities in-force at the acquisition date. VOBA can be either positive or negative. Positive VOBA is recorded as a component of DAC in the statements of financial position. Negative VOBA occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities, and is recorded in the "Future policy benefits" in the statements of financial position.

VOBA is amortized on a straight-line basis over the remaining life of the underlying policies.

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired, less any impairment recognized.

Goodwill is not amortized but is tested for impairment at least annually by first assessing whether there are events or changes in circumstances, such as deteriorating or adverse market conditions, indicating that it is more likely than not that the carrying amount of the reporting unit including goodwill may exceed the fair value. If this qualitative assessment indicates that an impairment may exist, a quantitative impairment assessment is then performed and impairment is measured and recognized as the amount by which a reporting unit's carrying value, including goodwill, exceeds its fair value, limited to the carrying amount of goodwill of the reporting unit.

The Company performed its annual goodwill impairment tests as of October 1, 2023 and did not identify any impairment.

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of the Company. Separate account assets include funds representing the investments of variable insurance product contract holders, who bear the investment risk of such funds. Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract holders. The Company reports separately, as assets and liabilities, investments held in such separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from the Company's general account liabilities; (iii) investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contract holder. In addition, the Company's qualified pension plan assets are included in separate accounts. The assets of these accounts are carried at fair value. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in the statements of operations. Separate accounts are established in conformity with insurance laws and are not chargeable with liabilities that arise from any other business of the Company.

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

Collateral pledged continues to be recognized in the statements of financial position as the Company retains all rights related to these assets.

Collateral received is not recognized in the statements of financial position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

Collateralized borrowing transactions: Securities sold under repurchase agreements are collateralized borrowing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at amortized cost and are recorded at amounts at which the securities were initially sold.

The Company recognizes an asset in the statements of financial position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented as net in the statements of financial position when the criteria to offset are met.

Future policy benefits ("FPB") is calculated as the present value of expected future policy benefits to be paid or on behalf of policyholders and certain related expenses, reduced by the present value of expected net premiums to be collected from policyholders. Principal assumptions used in the establishment of the FPB mortality, lapse, incidence, terminations, claim-related expenses and other contingent events are appropriate to the respective product type. The Company groups contracts into annual cohorts based on product type and contract inception date for the purposes of calculating the liability for future policy benefits.

The Company updates its estimate of cash flows over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. The Company reviews and updates cash flow assumptions at least annually, and at the same time every year by cohort or product. The Company also reviews more frequently and updates its cash flow assumptions during an interim period if evidence suggests cash flow assumptions should be revised. Assumption revisions will be reflected in the net premium ratio and FPB calculation in the quarter in which assumptions are revised. The change in the liability due to actual experience is recognized in "Policyholder benefits and claims incurred" in the statements of operations.

The change in FPB that is recognized in "Policyholder benefits and claims incurred" in the statement of operations is calculated using a locked-in discount rate. The Company measures the FPB at each reporting period using both the locked-in discount rate and the current discount rate curves. For contracts issued subsequent to the transition date of LDTI, the upper-medium grade discount rate used for interest accretion is locked in for the cohort and represents the original discount rate at the issue date of the underlying contracts. The FPB for all cohorts is remeasured to a current upper-medium grade discount rate at each reporting date through other comprehensive income. The Company generally interprets the original discount rate to be a rate comparable to that of a U.S. corporate single A rate that reflects the duration characteristics of the liability. The upper-medium grade discount rate is determined using observable market data, including published upper-medium grade discount curves. In situations where market data for an upper-medium grade discount curve is not available (e.g., in certain foreign jurisdictions), spreads are applied to adjust the available observable market data to an upper-medium grade discount curve. For certain long-tailed life insurance liabilities with expected future cash flows longer than the last observable tenor (30 years), the discount rate for future cash flows beyond 30 years will be held constant at the ultimate (30 years) observable forward rate.

Prior to the transition date of LDTI, a cohort level locked-in discount rate was developed to reflect the interest accretion rates that were locked in at the inception of the underlying contracts.

Should the present value of actual and future expected benefits less transition FPB balance exceed the present value of actual and future expected gross premiums, the net premium ratio will be capped at 100% and a gross premium FPB will be held. The immediate charge will be the amount by which the uncapped net premium ratio exceeds 100% times the present value of future expected gross premium. This assessment will be performed at the cohort level.

The Company periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the statements of operations in the period in which the changes occur.

Prior to the transition date of LDTI, net premium liability was recognized with locked-in assumptions at issue with no retrospective unlocking. The assumptions included adverse deviation and incorporated discounts at the Company's expected earned rate less adverse deviation, with losses being recognized at an aggregate block level.

Deferred Profit Liability ("DPL")

For limited-payment products, gross premiums received in excess of net premiums are deferred at initial recognition as a DPL. Gross premiums are measured using assumptions consistent with those used in the measurement of the liability for future policy benefits, including discount rate, mortality, lapses and expenses.

The DPL is amortized and recognized as "Policyholder benefits and claims incurred" in the statements of operations in proportion to expected future benefit payments from annuity contracts. Interest is accreted on the balance of the DPL using the discount rate determined at contract issuance. The Company reviews and updates its estimate of cash flows from the DPL at the same time as the estimates of cash flows for the liability for future policy benefits. When cash flows are updated, the updated estimates are used to recalculate the DPL at contract issuance. The recalculated DPL as of the beginning of the current reporting period is compared to the carrying amount of the DPL as of the beginning of the current reporting period, and any difference is recognized as "Policyholder benefits and claims incurred" in the statements of operations.

DPL is recorded in future policy benefits and included as a reconciling item within the disaggregated rollforwards.

Prior to the adoption of LDTI, the Company evaluates the actual claims experience and expenses related to insurance contracts. These evaluations are compared to the initial estimates, and adjustments are made to the DPL to ensure it appropriately reflects the Company's obligations and the profitability of the contracts.

Policyholders' account balances ("PAB") represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed. Changes in the fair value of the embedded derivative are included in the "Interest sensitive contract benefits" in the statements of operations, as discussed in Derivative Instruments (Note 9).

Liabilities for unpaid claims and claim adjustment expenses ("CAE") are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported claims ("IBNR") liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process. Liabilities for unpaid claims and claim adjustment expenses for health and property and casualty insurance are included in "Policy and contract claims" in the statements of financial position.

Deposit liability: Reinsurance agreements that do not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk are accounted for as deposits. At initial recognition, the funds withheld or deposit liability is measured based on consideration paid or received, less any explicitly identified premiums or fees to be retained by the insurer or reinsurer. Any commission paid is recorded as a contra-liability offsetting the deposit liability and amortized to expense over the life of the agreements. The amount of the funds withheld or liability and any balances receivable from or payable to the cedant will be adjusted at subsequent reporting dates with the effective yield on the deposit to reflect actual payments to date and expected future payments with a corresponding credit or charge to interest sensitive contract benefits.

Market risk benefits ("MRB"), which are contracts or contract features that provide protection to the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk, are measured at fair value, at the individual contract level. The periodic change in fair value is recognized in earnings with the exception of the periodic change in fair value related to the instrument-specific credit risk, which is recognized in other comprehensive income. The Company classifies the Lifetime Income Rider ("LIR") as an MRB. The LIR is a rider offering guaranteed minimum withdrawal benefits type benefits available on certain fixed indexed annuity products.

Total attributed fees will include explicit rider fees and will not be negative or exceed total contract fees and assessments collectible from the contract holder. There are only rider charges and surrender charges. Surrender charges will not be included in the fair value measurement, as surrender charges do not fund any future benefits. Cash flows are projected using risk-neutral scenarios generated by the Company.

The actuarial assumptions used in the MRB calculation are the Company's best estimate assumptions. Assumptions are adjusted to reflect fair value by applying a margin for non-hedgeable risk and an adjustment for own credit spread through the discount rate. The risk-free discount rate is the scenario specific US treasury rate.

Market risk benefits with positive values are recorded as "Other assets" and negative fair values are reported as "Market risk benefit" liabilities in the statements of financial position.

Prior to the adoption of LDTI, valuation methodologies varied depending on the type of guarantee with all the measurement impacts through the statements of operations.

Liabilities issued to reinsurance entities: For the reinsurance treaty accounts, the Company invests a portion of its assets in structured entities that issue investments, such as debt and preferred securities. These structured entities are determined to be VIEs, where the Company is the primary beneficiary of the variable returns of assets held within the entities, as the investment manager for the structured entities is a related party and the Company has a significant economic interest in the structured entities. As a result, these entities are consolidated within the Company's financial statements.

Liabilities of these structured entities that do not eliminate upon consolidation are recorded as "Liabilities issued to reinsurance entities" in the statements of financial position.

The carrying amount of the Company's investment in the consolidated structured entities is determined in accordance with the Company's accounting policies for the underlying securities held within the structured entities.

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where certain of the Company's subsidiaries act as cedants. While the assets in the funds withheld are legally owned by the cedant, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. The assets in the funds withheld include cash and cash equivalents, fixed income securities and derivatives carried at fair value and are recorded in respective investment line items in the statements of financial position. These funds withheld assets are offset by recognizing corresponding funds withheld liabilities, which are recorded in "Other liabilities" in the statements of financial position.

Reinsurance assumed: NER Ltd. closed a retrocession agreement on September 3, 2021 with a third-party insurance company to reinsure multi-year guarantee fixed annuities.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements ("Modco arrangements"). NER Ltd. generally has the right of offset on reinsurance contracts but has elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco arrangements are presented gross on the statements of financial position. Since this treaty does not transfer significant insurance risk, it is recorded on a deposit method of accounting.

NER SPC closed a retrocession agreement on October 8, 2021, with an insurance company to reinsure fixed indexed annuities.

NER SPC assumes insurance contracts under Modco arrangements and Coinsurance. Changes in the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in "Interest sensitive contract benefits" in the statements of operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in "Other reinsurance expenses" in the statements of operations.

Participating insurance policies: for the majority of participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders' share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses).

For all other participating business, the allocation of dividends to participating policy owners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

It is included within "Other policyholder funds" in the statements of financial position.

Premium, benefits, claims incurred, and expenses

Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in recognition of profits over the term of the insurance contracts.

Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life contingency are recognized as revenue when due. Deferred annuity premiums are recorded as deposits rather than recognized as revenue. Revenues from deferred annuity contracts are principally surrender charges and, in the case of variable annuities, administrative fees assessed to contract holders.

Universal life and single premium whole life revenues represent amounts assessed to policyholders including mortality charges, surrender charges actually paid, and earned policy service fees. Amounts included in benefits are claims in excess of account balances returned to policyholders and interest credited to account balances.

Property and casualty premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection, which is generally evenly over the contract period. Claims incurred consist of claims and CAE paid and the change in reserves.

Gross premiums for PRT issued are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, future policy benefits are computed, the result being that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis. Policyholder benefits are recorded in the statements of operations when they are due and incurred.

Pension and post-retirement benefit obligations and costs for our frozen benefit plans are estimated using assumptions including demographic factors such as retirement age and mortality.

The Company uses a discount rate to determine the present value of future benefits on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. For this purpose, a hypothetical bond portfolio to match the expected monthly benefit payments under the pension plan was constructed with the resulting yield of the portfolio used as a discount rate.

In developing the investment return assumption, we relied on a model that utilizes the following factors:

- Current yield to maturity of fixed income securities
- Forecasts of inflation, GDP growth and total return for each asset class
- Historical plan performance
- Target asset allocation
- Standard deviations and correlations related to historical and expected future returns of each asset class and inflation

The resulting assumption is the assumed rate of return for the plans' target asset allocation, net of investment expenses, and reflects anticipated returns of the plans' current and future assets.

Using this approach, the calculated return will fluctuate from year to year; however, it is the Company's policy to hold this long-term assumption relatively constant.

Interest income on investments measured at amortized cost is calculated using the effective interest method.

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

Investment related gains (losses) include realized gains and losses on investments representing the difference between net sale proceeds and the carrying value, marked to market gains (losses) on investments carried at fair value, allowance for credit loss and foreign exchange gains (losses).

Net investment results from funds withheld include investment income on funds withheld investments and changes in the fair value of derivatives embedded in reinsurance contracts.

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: we account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine DTAs and DTLs on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTAs and DTLs is recognized in income in the period that includes the enactment date.

We recognize DTAs to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax law and results of recent operations. If we determine that we would be able to realize our DTAs in the future in excess of their net recorded amount, we would make an adjustment to the DTA valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740 on the basis of a two-step process in which (i) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Foreign currencies: the local currency of the Company's foreign subsidiaries is deemed to be the functional currency of the country in which these subsidiaries operate. The financial statements of the Company's foreign subsidiaries are translated into USD at the exchange rate in effect at the end of a reporting period for assets and liabilities and at average exchange rates during the period for the statements of operations.

The unrealized gains and losses from the translation of the net assets are recorded as unrealized foreign currency translation adjustments and included in accumulated other comprehensive income ("AOCI"). Changes in unrealized foreign currency translation adjustments are included in other comprehensive income ("OCI"). Gains and losses from foreign currency transactions of the Company's invested assets are reported in "Investment related gains (losses)" or "Net investment results from funds withheld" in the statements of operations. Gains and losses from foreign currency transactions of the Company's insurance liabilities are reported in "Policyholder benefits and claims incurred" in the statements of operations.

Segments: in accordance with ASC 280, Operating Segments, the Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker ("CODM") for making decisions, allocation of resources and assessing performance. The Company's CODM has been identified as the Chief Executive Officer and the Chief Financial Officer who review the results of operations when making decisions about allocating resources and assessing the performance of the Company. Our operations are organized into three reportable segments: Direct Insurance, Reinsurance, and PRT (see Note 27).

Earnings per share: the holders of the class C shares are entitled to receive distributions if, as and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the Company's distributable earnings (as determined by management of the Company) after payment of distributions on the class A exchangeable shares, class A-1 exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs, and other similar adjustments. Earnings per share is calculated and presented for class C shares. Class A exchangeable shares, class A-1 exchangeable shares and class B shares are not considered participating securities nor considered to be common stock, and consequently earnings per share is not applicable to these classes of shares.

Basic earnings per share attributable to class C shareholders are calculated by dividing the Company's net income for the year, less distributions payable to class A exchangeable, class A-1 exchangeable and class B shareholders, by the weighted average number of class C shares outstanding during the year.

Litigation contingencies: Existing and potential litigation is reviewed quarterly to determine if any adjustments to liabilities for probable losses are necessary. Reserves for losses are established whenever they are probable and reasonably estimable. If not one estimate within the range of possible losses is more probable than any other, a reserve is recorded based on the lowest amount of the range.

Recently issued accounting pronouncements

The Company continues to assess the impacts of the following ASUs issued but not yet adopted as of December 31, 2023 on the financial statements. ASUs not listed below were assessed and determined to be either not applicable or insignificant in presentation or amount.

ASU 2022-03 – On June 30, 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments clarify that a contractual sale restriction on an equity security is not considered to be part of the unit of account of the equity security and that an entity should not consider such restriction when measuring the equity security's fair value. In addition, the amendments clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments also provide disclosure requirements relating to equity securities subject to contractual sale restrictions. This ASU will be effective on January 1, 2024, to be applied prospectively, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its financial statements.

ASU 2023-02 – On March 29, 2023, the FASB issued ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method. The amendments permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. In addition, disclosures describing the nature of the investments and related income tax credits and benefits will be required. This ASU will be effective on January 1, 2024, to be applied on either a modified retrospective or a retrospective basis subject to certain exceptions, with early adoption permitted. The Company continues to evaluate whether to elect to account for qualifying tax equity investments using the proportional amortization method and is assessing the corresponding impact on its financial statements.

ASU 2023-06 – On October 9, 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. The amendments modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements and also facilitate the comparison of entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this update should be applied prospectively. The Company does not expect the adoption of this guidance to have a material impact on its financial statements.

ASU 2023-07 – On November 27, 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments require the disclosure of significant segment expenses by reportable segment, enhance interim disclosure requirements and clarify circumstances in which an entity can disclose multiple segment measures of profit or loss. This ASU will be effective on January 1, 2024, to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this ASU on its financial statements. However, as they apply to disclosure requirements, the adoption of ASU 2023-07 is not anticipated to have a material impact on our profitability, financial position or cash flows.

NOTE 3. INVESTMENTS IN AVAILABLE-FOR-SALE FIXED MATURITY SECURITIES

The amortized cost and fair value of available-for-sale fixed maturity securities are shown below:

AS OF DEC. 31, 2023 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. treasury and government	$ 529	$ 4	$ (36)	$ —	**$ 497**
U.S. states and political subdivisions	684	3	(17)	—	**670**
Foreign governments	603	27	(16)	—	**614**
Corporate debt securities	15,097	121	(607)	(19)	**14,592**
Residential mortgage-backed securities	367	14	(4)	(1)	**376**
Commercial mortgage-backed securities	750	13	(31)	(6)	**726**
Collateralized debt securities	1,311	19	(24)	(4)	**1,302**
Total investments in fixed maturity securities	**$ 19,341**	**$ 201**	**$ (735)**	**$ (30)**	**$ 18,777**

AS OF DEC. 31, 2022 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. treasury and government	$ 148	$ —	$ (38)	$ —	$ 110
U.S. states and political subdivisions	880	—	(25)	—	855
Foreign governments	353	1	(36)	—	318
Corporate debt securities	14,379	35	(1,135)	(24)	13,255
Residential mortgage-backed securities	133	—	(6)	—	127
Commercial mortgage-backed securities	422	5	(19)	—	408
Collateralized debt securities	1,291	9	(51)	(6)	1,243
Total investments in fixed maturity securities	$ 17,606	$ 50	$ (1,310)	$ (30)	$ 16,316

The amortized cost and fair value, by contractual maturity, of available-for-sale fixed maturity securities are shown below:

AS OF US$ MILLIONS	**December 31, 2023**		December 31, 2022	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 853**	**$ 853**	$ 494	$ 489
Due after one year through five years	**6,358**	**6,224**	5,244	5,072
Due after five years through ten years	**5,280**	**5,149**	5,907	5,436
Due after ten years	**6,850**	**6,551**	5,961	5,319
Total	**$ 19,341**	**$ 18,777**	$ 17,606	$ 16,316

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Residential and commercial mortgage-backed securities, which are not due at a single maturity, have been presented based on the year of final contractual maturity.

Proceeds from sales of available-for-sale fixed maturity securities, with the related gross realized gains and losses, are shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Proceeds from sales of available-for-sale fixed maturity securities	**$ 5,871**	$ 11,882	$ 2,001
Gross realized gains	**45**	41	34
Gross realized losses	**(145)**	(204)	(19)

The Company has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $168 million and $117 million as of December 31, 2023 and 2022, respectively.

In accordance with various regulations, the Company has securities on deposit with regulating authorities with a carrying value of $153 million and $51 million as of December 31, 2023 and 2022, respectively.

The gross unrealized losses and fair value of available-for-sale fixed maturity securities, aggregated by investment category and the length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below:

	Less than 12 months			12 months or more			Total		
AS OF DEC. 31, 2023 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	**Number of issues**	**Gross Unrealized Losses**	**Fair Value**	**Number of issues**	**Gross Unrealized Losses**	**Fair Value**	**Number of issues**	**Gross Unrealized Losses**	**Fair Value**
U.S. treasury and government	10	$ —	$ 29	29	$ (36)	$ 92	**39**	**$ (36)**	**$ 121**
U.S. states and political subdivisions	208	(3)	217	106	(14)	288	**314**	**(17)**	**505**
Foreign governments	24	(3)	129	25	(13)	56	**49**	**(16)**	**185**
Corporate debt securities	863	(137)	3,088	917	(470)	8,357	**1,780**	**(607)**	**11,445**
Residential mortgage-backed securities	16	(1)	42	18	(3)	64	**34**	**(4)**	**106**
Commercial mortgage-backed securities	32	(8)	104	55	(23)	262	**87**	**(31)**	**366**
Collateralized debt securities	69	(1)	147	41	(23)	324	**110**	**(24)**	**471**
Total	**1,222**	**$ (153)**	**$ 3,756**	**1,191**	**$ (582)**	**$ 9,443**	**2,413**	**$ (735)**	**$ 13,199**

	Less than 12 months			12 months or more			Total		
AS OF DEC. 31, 2022 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	**Number of issues**	**Gross Unrealized Losses**	**Fair Value**	**Number of issues**	**Gross Unrealized Losses**	**Fair Value**	**Number of issues**	**Gross Unrealized Losses**	**Fair Value**
U.S. treasury and government	41	$ (36)	$ 104	5	$ (2)	$ 4	**46**	**$ (38)**	**$ 108**
U.S. states and political subdivisions	579	(25)	824	—	—	—	**579**	**(25)**	**824**
Foreign governments	13	(23)	258	11	(13)	25	**24**	**(36)**	**283**
Corporate debt securities	1,533	(943)	10,644	251	(192)	912	**1,784**	**(1,135)**	**11,556**
Residential mortgage-backed securities	46	(6)	93	—	—	—	**46**	**(6)**	**93**
Commercial mortgage-backed securities	62	(14)	231	12	(5)	29	**74**	**(19)**	**260**
Collateralized debt securities	82	(50)	762	12	(1)	17	**94**	**(51)**	**779**
Total	**2,356**	**$ (1,097)**	**$ 12,916**	**291**	**$ (213)**	**$ 987**	**2,647**	**$ (1,310)**	**$ 13,903**

Allowance for Credit Losses

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices. Based on this evaluation, unrealized losses on available-for-sale securities where an allowance for credit loss was not recorded were concentrated within the financials sector as of December 31, 2023 (2022 – transportation sector).

The rollforward of the allowance for credit losses for available-for-sale fixed maturity securities is shown below for the years ended December 31, 2023 and 2022.

FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ (24)	$ —	$ —	$ (6)	**$ (30)**
Credit losses recognized on securities for which credit losses were not previously recorded	(33)	—	(6)	(18)	**(57)**
Reductions for securities sold during the period	15	(1)	—	2	**16**
Changes in previously recorded allowance	23	—	—	18	**41**
Balance as of December 31, 2023	**$ (19)**	**$ (1)**	**$ (6)**	**$ (4)**	**$ (30)**

FOR THE YEAR ENDED DEC. 31, 2022 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ —	$ —	$ —	$ —	**$ —**
Credit losses recognized on securities for which credit losses were not previously recorded	(22)	—	—	(6)	**(28)**
Reductions for securities sold during the period	1	—	—	—	**1**
Changes in previously recorded allowance	(3)	—	—	—	**(3)**
Balance as of December 31, 2022	**$ (24)**	**$ —**	**$ —**	**$ (6)**	**$ (30)**

The Company had no allowance for credit losses for available-for-sale fixed maturity securities for the year ended December 31, 2021. No accrued interest receivables were written off as of December 31, 2023 and 2022.

NOTE 4. EQUITY SECURITIES

The net gains (losses) on equity securities recognized in "Investment related gains (losses)" on the statements of operations are shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Unrealized gains (losses) on equity securities	**$ 359**	$ 17	$ (42)
Net gains (losses) on equity securities sold	**13**	(28)	—
Net gains (losses) on equity securities	**$ 372**	$ (11)	$ (42)

Equity securities by market sector distribution are shown below, based on carrying value:

AS OF DEC. 31	2023	2022
Consumer goods	**6 %**	5 %
Energy and utilities	**16 %**	3 %
Finance	**44 %**	66 %
Healthcare	**22 %**	5 %
Industrials	**2 %**	2 %
Information technology	**7 %**	14 %
Other	**3 %**	5 %
Total	**100 %**	100 %

NOTE 5. MORTGAGE LOANS ON REAL ESTATE

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. Non-accrual balances are those more than 90 days past due. The age analysis of loans by property type is shown below:

AS OF DEC. 31, 2023 US$ MILLIONS, EXCEPT FOR PERCENTAGES	Current	Non-accrual	Total	Percentage
Apartment	$ 1,216	$ 50	$ 1,266	21 %
Hotel	999	13	1,012	17 %
Industrial	1,083	—	1,083	18 %
Office	954	36	990	16 %
Parking	404	9	413	7 %
Retail	828	4	832	14 %
Storage	132	—	132	2 %
Other	268	26	294	5 %
Total	**$ 5,884**	**$ 138**	**$ 6,022**	**100 %**
Allowance for credit losses			**(60)**	
Total, net of allowance			**$ 5,962**	

AS OF DEC. 31, 2022 US$ MILLIONS, EXCEPT FOR PERCENTAGES	Current	Non-accrual	Total	Percentage
Apartment	$ 907	$ —	$ 907	15 %
Hotel	1,114	—	1,114	19 %
Industrial	1,050	—	1,050	18 %
Office	1,160	27	1,187	20 %
Parking	420	—	420	7 %
Retail	874	—	874	15 %
Storage	120	—	120	2 %
Other	257	—	257	4 %
Total	**$ 5,902**	**$ 27**	**$ 5,929**	**100 %**
Allowance for credit losses			**(41)**	
Total, net of allowance			**$ 5,888**	

There were no non-accrual mortgage loans as of December 31, 2021. The amortized cost of non-accrual office and hotel mortgage loans with no related allowance for credit losses was $12 million and nil as of December 31, 2023 and December 31, 2022, respectively. There was $2 million and no interest income recognized on loans in non-accrual status for the years ended December 31, 2023 and 2022. Impaired loans were not significant for any of the periods presented.

Allowance for Credit Losses

The rollforward of the allowance for credit losses for mortgage loans is shown below:

US$ MILLIONS	
Balance as of January 1, 2021	$ —
Provision	(1)
Balance as of December 31, 2021	(1)
Provision	(40)
Balance as of December 31, 2022	(41)
Provision	(19)
Balance as of December 31, 2023	**$ (60)**

The asset and allowance balances for credit losses for mortgage loans by property-type are shown below:

AS OF DEC. 31 US$ MILLIONS	**2023** Asset Balance	**2023** Allowance	2022 Asset Balance	2022 Allowance
Apartment	**$ 1,266**	**$ (4)**	$ 907	$ (1)
Hotel	**1,012**	**(2)**	1,114	(6)
Industrial	**1,083**	**(1)**	1,050	(4)
Office	**990**	**(34)**	1,187	(17)
Parking	**413**	**(3)**	420	(6)
Retail	**832**	**(4)**	874	(4)
Storage	**132**	**—**	120	(2)
Other	**294**	**(12)**	257	(1)
Total	**$ 6,022**	**$ (60)**	$ 5,929	$ (41)

Credit Quality Indicators

Mortgage loans are segregated by property-type and quantitative and qualitative allowance factors are applied. Qualitative factors are developed quarterly based on the pooling of assets with similar risk characteristics and historical loss experience adjusted for the expected trend in the current market environment. Credit losses are pooled by property type as it represents the most similar and reliable risk characteristics in our portfolio. The amortized cost of mortgage loans by year of origination by property-type are shown below:

AS OF DEC. 31, 2023 US$ MILLIONS	**Amortized Cost Basis by Origination Year**						
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Apartment	$ 87	$ 626	$ 292	84	$ 76	$ 101	**$ 1,266**
Hotel	142	244	39	39	129	419	**1,012**
Industrial	1	343	164	215	129	231	**1,083**
Office	31	129	32	24	46	728	**990**
Parking	—	55	29	27	13	289	**413**
Retail	—	284	119	65	34	330	**832**
Storage	14	8	20	36	38	16	**132**
Other	30	137	45	—	28	54	**294**
Total	**$ 305**	**$ 1,826**	**$ 740**	**$ 490**	**$ 493**	**$ 2,168**	**$ 6,022**
Allowance for credit losses							**(60)**
Total, net of allowance							**$ 5,962**

AS OF DEC. 31, 2022 US$ MILLIONS	Amortized Cost Basis by Origination Year						
	2022	**2021**	**2020**	**2019**	**2018**	**Prior**	**Total**
Apartment	$ 331	$ 225	$ 110	141	$ 22	$ 78	**$ 907**
Hotel	256	139	39	130	180	370	**1,114**
Industrial	275	169	215	132	65	194	**1,050**
Office	130	45	24	47	157	784	**1,187**
Parking	55	29	27	13	19	277	**420**
Retail	265	118	65	37	31	358	**874**
Storage	8	24	35	38	15	—	**120**
Other	117	44	—	28	19	49	**257**
Total	**$ 1,437**	**$ 793**	**$ 515**	**$ 566**	**$ 508**	**$ 2,110**	**$ 5,929**
Allowance for credit losses							**(41)**
Total, net of allowance							**$ 5,888**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. As of December 31, 2023, three commercial loans were past due over 90 days or in non-accrual status (2022 – one commercial loan).

NOTE 6. PRIVATE LOANS

The following table summarizes the credit ratings for private loans:

AS OF DEC. 31 US$ MILLIONS	**2023**	2022
A or higher	**$ 20**	$ 4
BBB	**29**	17
BB and below	**272**	395
Unrated[1]	**877**	728
Total	**$ 1,198**	$ 1,144

1. Due to the nature of private loans, external agency credit ratings may not be readily available. Where appropriate, the Company obtains non-published credit ratings from one or more third-party rating agencies, which are determined based on an independent evaluation of the transaction. For other loans without published or private credit ratings, the Company assigns internal risk ratings, based on our investment selection and monitoring process and policies. These internal risk ratings are categorized as "Unrated" above.

Allowance for Credit Losses

The rollforward of the allowance for credit losses for private loans is shown below:

US$ MILLIONS		
Balance as of January 1, 2021	$	—
Provision		(12)
Balance as of December 31, 2021		(12)
Provision		(16)
Balance as of December 31, 2022		(28)
Provision		(16)
Balance as of December 31, 2023	**$**	**(44)**

NOTE 7. REAL ESTATE AND REAL ESTATE PARTNERSHIPS

The carrying amounts of real estate investments, net of accumulated depreciation, and real estate partnerships by property-type are as follows:

AS OF DEC. 31 US$ MILLIONS, EXCEPT FOR PERCENTAGES	**2023**			2022		
		Amount	**Percentage**		Amount	Percentage
Hotel	**$**	**476**	**12 %**	$	77	7 %
Industrial		**434**	**11 %**		168	16 %
Land		**52**	**1 %**		48	5 %
Office		**1,866**	**47 %**		243	23 %
Retail		**235**	**6 %**		212	20 %
Apartments		**485**	**12 %**		254	25 %
Student housing		**85**	**2 %**		—	— %
Other		**338**	**9 %**		34	4 %
Total	**$**	**3,971**	**100 %**	$	1,036	100 %

As of December 31, 2023 and 2022, no real estate investments met the criteria as held-for-sale.

NOTE 8. VARIABLE INTEREST ENTITIES AND EQUITY METHOD INVESTMENTS

The Company regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities ("VIEs"). In certain instances, in addition to an economic interest in the entity, the Company holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary. The Company consolidates all VIEs in which it is the primary beneficiary. The assets of consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment. The Company has not provided financial or other support to these consolidated VIEs in the form of liquidity arrangements, guarantees or other commitments to third-parties that may affect the fair value or risk of its variable interest in these VIEs as of December 31, 2023 and 2022.

(a) Consolidated Variable Interest Entities

The assets and liabilities relating to the consolidated VIEs included in the financial statements are as follows:

AS OF DEC. 31 US$ MILLIONS	**2023**	2022
Real estate and real estate partnerships	**$ 2,649**	$ 124
Available-for-sale fixed maturity securities, at fair value	**153**	346
Equity securities	**54**	84
Investment funds	**375**	1,175
Short-term investments	**4**	—
Mortgage loan, affiliated	**82**	44
Private loans	**727**	390
Cash and cash equivalents	**85**	153
Premiums due and other receivables	**2**	—
Other assets	**107**	77
Total assets of consolidated VIEs	**$ 4,238**	$ 2,393
Notes payable	**174**	151
Other liabilities	**30**	1,743
Total liabilities of consolidated VIEs	**$ 204**	$ 1,894

(b) Unconsolidated Variable Interest Entities

For unconsolidated VIEs, the Company is not the primary beneficiary as major decisions impacting the economic activities of the VIE require consent from one or more other partners. These unconsolidated VIEs are accounted for using the equity method of accounting or at amortized cost and are reflected in "Real estate and real estate partnerships" or "Mortgage loans on real estate" on the statements of financial position. In addition, certain equity securities at fair value are the Company's interests in limited partnerships that are unconsolidated VIEs. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment. The Company has not provided financial or other support to these unconsolidated VIEs in the form of liquidity arrangements, guarantees or other commitments to third-parties that may affect the fair value or risk of its variable interest in these VIEs as of December 31, 2023 and 2022.

The carrying amount and maximum exposure to loss relating to these unconsolidated VIEs are as follows:

AS OF DEC. 31 US$ MILLIONS	2023		2022	
	Carrying Amount	**Maximum Exposure to Loss**	Carrying Amount	Maximum Exposure to Loss
Real estate and real estate partnerships	**$ 2,478**	**$ 2,478**	$ 317	$ 317
Mortgage loans on real estate	**630**	**630**	601	601
Accrued investment income	**2**	**2**	2	2
Equity securities	**239**	**239**	—	—
Total	**$ 3,349**	**$ 3,349**	$ 920	$ 920

(c) Equity Method Investments

The Company's investments in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships are accounted for using the equity method of accounting. As of December 31, 2023 and 2022, the Company's equity accounted investments totaled $7.2 billion and $2.8 billion, respectively.

As described in Note 2, the Company generally recognizes its share of earnings in its equity method investments within "Net investment income" using a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period.

The following aggregated summarized financial data reflects the latest available financial information and does not represent the Company's pro rata share of the assets, liabilities or earnings of such entities. Aggregated total assets of these entities totaled $52.3 billion and $2.8 billion as of December 31, 2023 and 2022, respectively. Aggregate net income of these entities totaled $2.0 billion and $89 million for the years ended December 31, 2023 and 2022, respectively. Aggregate net income from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income (loss) and realized and unrealized investment gains (losses), from investment funds, real estate properties and real estate funds.

NOTE 9. DERIVATIVE INSTRUMENTS

The Company manages risks associated with certain assets and liabilities by using derivative financial instruments. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates or other financial instruments. The Company does not invest in derivatives for speculative purposes.

Foreign exchange forwards, options, cross currency swaps, interest rate swaps, interest rate options and warrants are over-the-counter contractual agreements negotiated between counterparties. The Company purchases equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. Futures contracts are traded in an organized market and are contractual obligations to buy or sell a financial instrument at a predetermined future time at a given price.

The notional principal represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default.

Derivatives, except for embedded derivatives, are included in "Other invested assets" or "Other liabilities", at fair value in the statements of financial position. Embedded derivative assets and liabilities on Modco arrangements and embedded derivative liabilities on indexed annuity and variable annuity products are included in the statements of financial position within the "Reinsurance funds withheld" and "Policyholders' account balances" lines respectively, at fair value.

The notional and fair values of derivative instruments, presented in the statements of financial position, are shown below:

US$ MILLIONS	Primary underlying risk	Location in the statements of financial position	**December 31, 2023** Notional Amount	Carrying Value / Fair Value Assets	Carrying Value / Fair Value Liabilities	December 31, 2022 Notional Amount	Carrying Value / Fair Value Assets	Carrying Value / Fair Value Liabilities
Derivatives designated as hedging instruments								
Foreign exchange forwards	Foreign currency	Other invested assets	**$ 1,532**	**$ 11**	**$ —**	$ —	$ —	$ —
Derivatives not designated as hedging instruments								
Equity-indexed options	Equity	Other invested assets	**$ 8,795**	**$ 96**	**$ —**	$ 7,452	$ 35	$ —
Foreign exchange forwards	Foreign currency	Other invested assets, Other liabilities	**1,362**	**1**	**(4)**	2,809	7	(12)
Bond futures	Interest rate	Other liabilities	**1,652**	**—**	**(8)**	1,504	—	(25)
Cross currency swaps	Foreign currency	Other invested assets	**8**	**—**	**—**	17	1	—
Interest rate swaps	Interest rate	Other invested assets	**87**	**8**	**—**	15	1	—
Embedded derivatives in:								
Modco arrangement	Interest rate	Reinsurance funds withheld	**—**	**—**	**(46)**	—	154	—
Indexed annuity and variable annuity product	Interest rate	Policyholders' account balances	**—**	**1,104**	**—**	—	—	(907)
			$ 11,904	**$ 1,209**	**$ (58)**	$ 11,797	$ 198	$ (944)

Derivatives Designated as Hedging Instruments

During the year, the Company has designated and accounted for certain foreign exchange forwards as fair value hedges to protect a portion of available-for-sale fixed maturity securities against changes in fair value due to changes in exchange rates. The Company had no derivatives designated as hedging instruments as of December 31, 2022.

For derivative financial instruments that were designated and qualified as fair value hedges, the gain or loss on the portion of the derivative instrument included in the assessment of hedge effectiveness and the offsetting gain or loss on the hedged item attributable to the hedged risk were recognized in the same line item in the statements of operations. The unrealized gain or loss attributable to changes in exchange rates on the available-for-sale fixed maturity securities that were designated as part of the hedge were reclassified out of OCI into "Investment related gains (losses)" in the statements of operations. The remaining change in unrealized gain or loss on the hedged item not associated with the risk being hedged remained as a component of OCI.

The following represents the financial statement location and amount of gains (losses) related to the derivatives and hedged items that qualify for fair value hedge accounting:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Hedged items	**$ 10**	$ —	$ —
Derivatives designated as hedging instruments	**(9)**	—	—
Investment related gains (losses)	**$ 1**	$ —	$ —

Derivatives Not Designated as Hedging Instruments

The following represents the financial statement location and amount of gains (losses) related to the derivatives not designated as hedging instruments:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**Locations in the statements of operations**	**Gains (Losses) Recognized in Income on Derivatives**		
		2023	2022	2021
Equity-indexed options	Investment related gains (losses)	**$ 109**	$ (105)	$ (10)
Foreign exchange forwards	Investment related gains (losses)	**39**	29	3
Bond futures	Investment related gains (losses)	**10**	81	(1)
Cross currency swaps	Investment related gains (losses)	**—**	1	—
Interest rate swaps	Investment related gains (losses)	**7**	1	(1)
Interest rate options	Investment related gains (losses)	**139**	—	—
Embedded derivatives in:				
Modco arrangement	Net investment results from funds withheld	**(182)**	(37)	(4)
Indexed annuity and variable annuity product	Interest sensitive contract benefits	**(67)**	61	(11)
		$ 55	$ 31	$ (24)

Derivative Exposure

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterparties. The Company has a policy of only dealing with counterparties it believes are creditworthy and obtaining sufficient collateral where appropriate, as a means to mitigating the financial loss from defaults. The minimum credit rating of our counterparties is BBB. The Company holds collateral in cash and notes secured by U.S. government-backed assets. The non-performance risk is the net counterparty exposure based on fair value of open contracts less fair value of collateral held. The Company maintains master netting agreements with its current active trading partners. A right of offset has been applied to collateral that supports credit risk and has been recorded in the statements of financial position as an offset to "Other invested assets" with an associated payable to "Other liabilities" for excess collateral. A right of offset has also been applied to derivative assets and liabilities with the same counterparty under the same master netting agreement, and such derivative instruments are presented on a net basis in the statements of financial position.

Information regarding the Company's exposure to credit loss on the derivatives it holds, including the effect of rights of offset, is presented below:

AS OF DEC. 31, 2023 US$ MILLIONS	**Gross amount of derivative instruments**[1]	Gross amounts offset on the statements of financial position: Amounts subject to an enforceable master netting arrangement or similar agreements	Collateral held in cash[2]	Collateral held in invested assets[2]	**Net amount presented on the statements of financial position**
Derivative assets					
Equity-indexed options	$ 322	$ —	$ (209)	$ (17)	**$ 96**
Foreign exchange forwards	16	(4)	—	$ —	**$ 12**
Bond futures	65	(65)	—	$ —	**$ —**
Cross currency swaps	12	(12)	—	$ —	**$ —**
Interest rate swaps	29	(21)	—	$ —	**$ 8**
Interest rate options	—	—	—	$ —	**$ —**
Total derivative assets	**$ 444**	**$ (102)**	**$ (209)**	**$ (17)**	**$ 116**
Derivative liabilities					
Foreign exchange forwards	8	(4)	—	$ —	**$ 4**
Bond futures	73	(65)	—	$ —	**$ 8**
Cross currency swaps	12	(12)	—	$ —	**$ —**
Interest rate swaps	21	(21)	—	$ —	**$ —**
Total derivative liabilities	**$ 114**	**$ (102)**	**$ —**	**$ —**	**$ 12**

1. Represents derivative assets and liabilities on a gross basis, which are not offset under enforceable master netting agreements that meet all offsetting criteria.
2. Excludes a portion of collaterals held in cash and invested assets that are excess collateral. As of December 31, 2023, the Company held excess collateral of $4 million.

AS OF DEC. 31, 2022 US$ MILLIONS	Gross amount of derivative instruments[1]	Gross amounts offset on the statements of financial position: Amounts subject to an enforceable master netting arrangement or similar agreements	Collateral held in cash[2]	Collateral held in invested assets[2]	Net amount presented on the statements of financial position
Derivative assets					
Equity-indexed options	$ 156	$ —	$ (101)	$ (20)	**$ 35**
Foreign exchange forwards	8	(1)	—	$ —	**$ 7**
Bond futures	6	(6)	—	$ —	**$ —**
Cross currency swaps	11	(10)	—	$ —	**$ 1**
Interest rate swaps	2	(1)	—	$ —	**$ 1**
Total derivative assets	**$ 183**	**$ (18)**	**$ (101)**	**$ (20)**	**$ 44**
Derivative liabilities					
Foreign exchange forwards	13	(1)	—	$ —	**$ 12**
Bond futures	31	(6)	—	$ —	**$ 25**
Cross currency swaps	10	(10)	—	$ —	**$ —**
Interest rate swaps	1	(1)	—	$ —	**$ —**
Total derivative liabilities	**$ 55**	**$ (18)**	**$ —**	**$ —**	**$ 37**

1. Represents derivative assets and liabilities on a gross basis, which are not offset under enforceable master netting agreements that meet all offsetting criteria.
2. Excludes a portion of collaterals held in cash and invested assets that are excess collateral. As of December 31, 2022, the Company held no excess collateral.

NOTE 10. NET INVESTMENT INCOME AND INVESTMENT RELATED GAINS (LOSSES)

Net investment income is shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Available-for-sale fixed maturity securities	**$ 830**	$ 560	$ 56
Equity securities	**25**	6	—
Mortgage loans	**325**	208	3
Private loans	**107**	27	3
Investment funds	**124**	34	4
Policy loans	**17**	14	—
Short-term investments	**221**	58	2
Real estate and other invested assets	**160**	71	—
Equity accounted investments	**—**	—	8
Total net investment income	**$ 1,809**	$ 978	$ 76

Net unrealized and realized investment gains (losses) are shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Available-for-sale fixed maturity securities	**$ (105)**	$ (110)	$ 14
Equity securities and equity method discontinuation	**372**	(55)	(42)
Mortgage loans	**(27)**	(64)	(4)
Private loans	**(13)**	—	(12)
Short-term investments and other invested assets	**307**	44	(11)
Total investment related gains (losses), net	**$ 534**	$ (185)	$ (55)

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments are shown below:

AS OF DEC. 31 US$ MILLIONS	2023 Carrying Amount	2023 Fair Value	2022 Carrying Amount	2022 Fair Value
Financial assets				
Available-for-sale fixed maturity securities	**$ 18,777**	**$ 18,777**	$ 16,316	$ 16,316
Equity securities[1]	**3,663**	**3,663**	1,253	1,253
Mortgage loans on real estate, net of allowance	**5,962**	**5,683**	5,888	5,637
Private loans, net of allowance	**1,198**	**855**	1,144	1,086
Policy loans	**390**	**390**	374	374
Short-term investments	**3,115**	**3,115**	2,402	2,402
Other invested assets				
Derivative assets	**116**	**116**	44	44
Separately managed accounts	**105**	**105**	127	127
Other[2]	**58**	**58**	40	40
Reinsurance funds withheld[3]	**7,248**	**7,248**	5,812	5,812
Separate account assets[4]	**1,189**	**1,189**	1,045	1,045
Total financial assets	**$ 41,821**	**$ 41,199**	$ 34,445	$ 34,136
Financial liabilities				
Policyholders' account balances – embedded derivative	**$ 1,104**	**$ 1,104**	$ 907	$ 907
Market risk benefits	**89**	**89**	124	124
Other liabilities				
Derivative liabilities	**12**	**12**	38	38
Funds withheld liabilities	**83**	**83**	10	10
Notes payable	**174**	**174**	151	151
Corporate and subsidiary borrowings	**3,569**	**3,567**	3,652	3,625
Separate account liabilities[4]	**1,189**	**1,189**	1,045	1,045
Total financial liabilities	**$ 6,220**	**$ 6,218**	$ 5,927	$ 5,900

1. Balance includes $424 million of private equity measured at cost less any impairments, if any, as their fair values are not readily determinable and are therefore not subject to fair value hierarchy as of December 31, 2023. No amounts of impairments and upward or downward adjustments were recorded for the year ended December 31, 2023. The Company held no equities without readily determinable fair values as of December 31, 2022.
2. Balance represents other invested assets not subject to fair value hierarchy as of December 31, 2023 and 2022, respectively.
3. Balance includes $7.3 billion and $5.7 billion of assets not subject to fair value hierarchy as of December 31, 2023 and 2022, respectively.
4. Balance includes $26 million and $33 million of assets, and corresponding liabilities, that are not subject to fair value hierarchy as of December 31, 2023 and 2022, respectively.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction as of the measurement date from the perspective of a market participant. The Company has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation

Valuation Techniques for Financial Instruments Recorded at Fair Value

Available-for-sale Fixed Maturity Securities and Equity Options — The Company utilizes pricing services to estimate fair value measurements. The fair value for available-for-sale fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most available-for-sale fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for available-for-sale fixed maturity securities that have quoted prices in active markets. Since available-for-sale fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

The Company has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant's assumptions. The Company does not adjust quotes received from the pricing service. The pricing service utilized by The Company has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

The Company holds a small amount of private placement debt and available-for-sale fixed maturity securities that have characteristics that make them unsuitable for matrix pricing. For these securities, a quote from an independent pricing source (typically a market maker) is obtained. Due to the disclaimers on the quotes that indicate the price is indicative only, the Company includes these fair value estimates in Level 3.

For securities priced using a quote from an independent pricing source, such as the equity-indexed options and certain available-for-sale fixed maturity securities, the Company uses a market-based fair value analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed further to determine if any pricing issue exists. This analysis is performed quarterly.

Equity Securities — For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for available-for-sale fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. The Company tests the accuracy of the information provided by reference to other services annually. For certain private equity without readily determinable fair values, fair value estimates are unavailable and are not disclosed.

Short-term Investments — Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. Commercial paper is carried at amortized cost which approximates fair value. These investments are classified as Level 2 measurements.

Separate Account Assets and Liabilities — The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and available-for-sale fixed maturity. Equity securities are classified as Level 1 measurements. Short-term investments and available-for-sale fixed maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect the same fair value level methodologies as listed above as they are derived from the same vendors and follow the same process.

The separate account assets also include cash and cash equivalents, investment funds, accrued investment income, and receivables for securities. These are not included in the quantitative disclosures of fair value hierarchy table.

A loss of $171 million was recognized on assets transferred to separate accounts for the year ended December 31, 2023 (2022 – nil).

Reinsurance Funds Withheld – Embedded Derivatives — Valuation model is based on quoted prices of similar, traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Market Risk Benefits are classified as Level 3 fair value measurements as the fair value is based on unobservable inputs. The key assumptions for calculating the fair value of the MRBs are market assumptions such as equity market returns, interest rate levels, market volatility and correlations and policyholder behavior assumptions such as lapse, mortality, utilization and withdrawal patterns. Risk margins are included in the policyholder behavior assumptions. The assumptions are based on a combination of historical data and actuarial judgment. The MRBs are valued using stochastic models that incorporate a spread reflecting our non-performance risk.

Derivative Assets/Derivative Liabilities

- Foreign currency forward contracts — discounted cash flow model — forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate.
- Interest rate contracts — discounted cash flow model — forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.
- Equity-index options — certain over-the-counter equity options are valued using models that are widely accepted in the financial services industry with non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Policyholders' Account Balances – Embedded Derivatives — The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 within indexed annuities and indexed life. The following unobservable inputs are used for measuring the fair value of the embedded derivatives associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower during a contract's surrender charge period and then higher once the surrender charge period has ended. Decreases to the assumed lapse rates generally increase the fair value of the liability as more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse rate assumption decrease the fair value.
- Mortality rate assumptions vary by age and gender based on company and industry experience. Decreases to the assumed mortality rates increase the fair value of the liabilities as more policyholders earn crediting interest. Increases to the assumed mortality rates decrease the fair value as higher decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the assumed volatility will increase the fair value of liabilities, as future projections will produce higher increases in the linked index.

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within "Policyholders' account balances":

AS OF DEC. 31 US$ MILLIONS	Fair Value **2023**	 2022	**Unobservable Input**
Embedded derivative			
Indexed annuities and indexed life	**$ 872**	$ 726	Lapse Rate Mortality Multiplier Equity Volatility

Funds Withheld Liabilities — Valuation model is based on quoted prices of similar, traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Separately Managed Accounts — The separately managed account manager uses the mid-point of a range from a third-party to price these securities. Discounted cash flows (yield analysis) and market transactions approach are used in the valuation. They use discount rates which is considered an unobservable input.

The fair value hierarchy measurements of the financial instruments are shown below:

AS OF DEC. 31, 2023 US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 497	$ 442	$ 55	$ —
U.S. states and political subdivisions	670	—	670	—
Foreign governments	614	—	614	—
Corporate debt securities	14,592	—	12,314	2,278
Residential mortgage-backed securities	376	—	376	—
Commercial mortgage-backed securities	726	—	696	30
Collateralized debt securities	1,302	—	961	341
Total fixed maturity, available-for-sale	**18,777**	**442**	**15,686**	**2,649**
Equity securities				
Common stock	3,073	2,682	—	391
Preferred stock	121	37	—	84
Private equity and other	45	—	—	45
Total equity securities	**3,239**	**2,719**	**—**	**520**
Short-term investments	3,115	1,948	40	1,127
Other invested assets:				
Derivative assets	116	—	115	1
Separately managed accounts	105	—	—	105
Other	46	—	—	46
Reinsurance funds withheld – embedded derivative	(46)	—	—	(46)
Separate account assets	1,163	405	758	—
Total financial assets	**$ 26,515**	**$ 5,514**	**$ 16,599**	**$ 4,402**
Financial liabilities				
Policyholders’ account balances – embedded derivative	1,104	—	232	872
Market risk benefit	89	—	—	89
Other liabilities:				
Derivative liabilities	12	8	4	—
Funds withheld liabilities	83	—	83	—
Separate account liabilities	1,163	405	758	—
Total financial liabilities	**$ 2,451**	**$ 413**	**$ 1,077**	**$ 961**

AS OF DEC. 31, 2022 US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 110	$ 40	$ 70	$ —
U.S. states and political subdivisions	855	—	855	—
Foreign governments	318	—	318	—
Corporate debt securities	13,491	—	13,045	446
Residential mortgage-backed securities	127	—	127	—
Commercial mortgage-backed securities	408	—	408	—
Collateralized debt securities	1,007	—	561	446
Total fixed maturity, available-for-sale	**16,316**	**40**	**15,384**	**892**
Equity securities				
Common stock	1,156	989	—	167
Preferred stock	75	36	—	39
Private equity and other	22	—	—	22
Total equity securities	**1,253**	**1,025**	**—**	**228**
Short-term investments	2,402	1,160	—	1,242
Other invested assets:				
Derivative assets	44	—	43	1
Separately managed accounts	127	—	—	127
Reinsurance funds withheld – embedded derivative	154	—	—	154
Separate account assets	1,012	313	699	—
Total financial assets	**$ 21,308**	**$ 2,538**	**$ 16,126**	**$ 2,644**
Financial liabilities				
Policyholders' account balances – embedded derivative	907	—	181	726
Market risk benefit	124	—	—	124
Other liabilities:				
Derivative liabilities	38	25	13	—
Funds withheld liabilities	10	—	10	—
Separate account liabilities	1,012	313	699	—
Total financial liabilities	**$ 2,091**	**$ 338**	**$ 903**	**$ 850**

Fair Value Information About Financial Instruments Not Recorded at Fair Value

Information about fair value estimates for financial instruments not measured at fair value is discussed below:

Mortgage Loans — The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S. Treasury notes and the loan's credit quality, region, property-type, lien priority, payment type and current status.

Private Loans — The fair value of private loans is estimated using discounted cash flow analyses on a loan-by-loan basis by applying a discount rate to expected cash flows from future installment and balloon payments. The discount rate takes into account general market trends and specific credit risk trends for the individual loan.

Policy Loans — The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the collateralized nature of policy loans such that they cannot be separated from the policy contracts, the unpredictable timing of repayments and the fact that settlement is at outstanding value, as such the carrying value of policy loans approximates fair value.

Corporate and Subsidiary Borrowings — Corporate and subsidiary borrowings are carried at outstanding principal balance. The carrying value approximates fair value because the carrying value represents the amount owing and payable to the creditor at the reporting date.

Notes Payable — Notes payable are carried at outstanding principal balance. The carrying value of the notes payable approximates fair value because the underlying interest rates approximate market rates at the reporting date.

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis are shown below:

AS OF DEC. 31, 2023 US$ MILLIONS	Carrying Amount	Fair Value	FV Hierarchy Level		
			Level 1	Level 2	Level 3
Financial assets					
Mortgage loans on real estate, net of allowance	$ 5,962	$ 5,683	—	—	5,683
Private loans, net of allowance	1,198	$ 855	—	—	855
Policy loans	390	$ 390	—	—	390
Other invested assets, excluding derivatives and separately managed accounts	12	$ 12	—	—	12
Total financial assets	**$ 7,562**	**$ 6,940**			
Financial liabilities					
Corporate and subsidiary borrowings	$ 3,569	$ 3,567	133	249	3,185
Notes payable	174	$ 174	—	—	174
Total financial liabilities	**$ 3,743**	**$ 3,741**			

AS OF DEC. 31, 2022 US$ MILLIONS	Carrying Amount	Fair Value	FV Hierarchy Level		
			Level 1	Level 2	Level 3
Financial assets					
Mortgage loans on real estate, net of allowance	$ 5,888	$ 5,637	—	—	5,637
Private loans, net of allowance	1,144	$ 1,086	—	—	1,086
Policy loans	374	$ 374	—	—	374
Other invested assets, excluding derivatives and separately managed accounts	40	$ 40	—	—	40
Total financial assets	**$ 7,446**	**$ 7,137**			
Financial liabilities					
Corporate and subsidiary borrowings	$ 3,652	$ 3,625	—	—	3,625
Notes payable	151	$ 151	—	—	151
Total financial liabilities	**$ 3,803**	**$ 3,776**			

For financial assets and financial liabilities measured at fair value on a recurring basis using Level 3 inputs during the periods, reconciliations of the beginning and ending balances are shown below:

FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Assets				Liabilities
	Investment Securities	**Derivative Assets**	**Separately Managed Accounts**	**Reinsurance funds withheld - Embedded Derivative**	**PAB – Embedded Derivative**
Balance, beginning of year	**$ 2,362**	**$ 1**	**$ 127**	**$ 154**	**$ (726)**
Acquisitions from business combination	**47**	—	—	—	—
Fair value changes in net income	**(170)**	**108**	**(1)**	**(200)**	—
Net change included in interest sensitive contract benefits	—	—	—	—	**(96)**
Fair value changes in other comprehensive income	**393**	—	**(4)**	—	—
Purchases	**6,271**	**133**	**33**	—	—
Sales	**(4,561)**	—	**(50)**	—	—
Settlements or maturities	—	**(241)**	—	—	—
Premiums less benefits	—	—	—	—	**(50)**
Balance, end of year	**$ 4,342**	**$ 1**	**$ 105**	**$ (46)**	**$ (872)**

FOR THE YEAR ENDED DEC. 31, 2022 US$ MILLIONS	Assets				Liabilities
	Investment Securities	**Derivative Assets**	**Separately Managed Accounts**	**Reinsurance funds withheld - Embedded Derivative**	**PAB – Embedded Derivative**
Balance, beginning of year	$ 109	$ —	$ —	$ (19)	$ —
Acquisitions from business combination	373	3	113	—	(745)
Fair value changes in net income	(31)	(13)	—	173	—
Net change included in interest sensitive contract benefits	—	—	—	—	61
Fair value changes in other comprehensive income	(158)	(25)	—	—	—
Purchases	2,483	55	32	—	—
Sales	(433)	—	(18)	—	—
Settlements or maturities	19	(19)	—	—	—
Premiums less benefits	—	—	—	—	(42)
Balance, end of year	**$ 2,362**	**$ 1**	**$ 127**	**$ 154**	**$ (726)**

There were no transfers between Level 1, Level 2 or Level 3 during the periods presented. The Company's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions.

The following summarizes the valuation techniques and unobservable inputs of the Level 3 fair value measurements:

Type of Asset	Valuation Techniques	Significant Unobservable Inputs
Equity-index options	Heston and Black-Scholes Valuation models	• Interest rate (risk-free rate assumptions) • Underlying equity quoted index prices
Available-for-sale fixed maturity securities	Corporate debt securities • Discounted cash flows (yield analysis) • Income approach • Price at cost	Corporate debt securities • Contractual cash flows • Duration • Call provisions • Weighted-average life • Risk premium • Coupon rate
	Collateralized debt securities • Broker quotes • Income approach	Collateralized debt securities • Contractual cash flows • Weighted-average coupon and maturity • Collateral type • Loss severity • Geography
Common stock, preferred stock and private equity	• Broker quotes • Income approach • Current Value Method ("CVM") • Guideline public company method[1]	• Security structure • Last Twelve Months ("LTM") Revenue Multiple[2] • Next Calendar Year ("NCY") Revenue Multiple[3] • LTM EBITDA Multiple[4] • NCY +1 EBITDA Multiple[5]
Separately managed accounts	Common stock and warrants • Guideline public company method[1] • Option pricing method • CVM	Common stock and warrants • LTM Revenue Multiple[2] • NCY Revenue Multiple[3] • LTM EBITDA Multiple[4] • NCY +1 EBITDA Multiple[5] • Term • Volatility • Discount for lack of marketability ("DLOM")
	Preferred stock • Guideline public company method[1] • CVM	Preferred stock • LTM Revenue Multiple[2] • NCY Revenue Multiple[3] • LTM EBITDA Multiple[4] • NCY +1 EBITDA Multiple[5]
	Fixed income • Discounted cash flows (yield analysis) • Market transactions approach • CVM • Cost	Fixed income • Discount rate • NCY EBITDA

1. Guideline public company method uses price multiples from data on comparable public companies. Multiples are then adjusted to account for differences between what is being valued and comparable firms.
2. LTM Revenue Multiple valuation metric shows revenue for the past 12-month period.
3. NCY Revenue Multiple shows forecast revenue over the next calendar year.
4. LTM EBITDA Multiple shows earnings before interest, taxes, depreciation and amortization ("EBITDA") for the past 12-month period.
5. NCY +1 EBITDA Multiple shows forecasted EBITDA expected to be achieved over the next calendar year.

NOTE 12. REINSURANCE

(a) Reinsurance Assumed

NER SPC and NER Ltd. are the reinsurers of the Company's operations. The reinsurance transactions are majorly structured as Modco arrangements with reinsurance funds withheld.

The following table summarized the Company's reinsurance funds withheld, deposit liability, policyholders' account balances and embedded derivatives by accounting classification related to its reinsurance business.

AS OF DEC. 31, 2023 US$ MILLIONS	Deposit accounting	Interest sensitive investment type	Total
Asset			
Reinsurance funds withheld, net	$ 1,538	$ 5,741	$ 7,279
Embedded derivatives	6	(52)	(46)
			7,233
Other reinsurance funds withheld[1]			15
Reinsurance funds withheld, total			**$ 7,248**
Liability			
Policyholders' account balance, excluding embedded derivatives	$ —	$ 7,530	$ 7,530
Embedded derivatives	—	232	232
Policyholders' account balance, total			**$ 7,762**
Deposit liability	$ 1,577	$ —	$ 1,577

1. In addition to NER SPC and NER Ltd., Argo assumes certain forms of casualty risks, primarily asbestos and environmental liabilities, as part of their closed run-off business. Liabilities for such reinsurance assumed are included in "Policy and contract claims" in the statements of financial position. See Note 20 for details.

AS OF DEC. 31, 2022 US$ MILLIONS	Deposit accounting	Interest sensitive investment type	Total
Asset			
Reinsurance funds withheld, net	$ 1,603	$ 4,055	$ 5,658
Embedded derivatives	17	137	154
Reinsurance funds withheld, total			**$ 5,812**
Liability			
Policyholders' account balance, excluding embedded derivatives	$ —	$ 5,652	$ 5,652
Embedded derivatives	—	181	181
Policyholders' account balance, total			**$ 5,833**
Deposit liability	$ 1,657	$ —	$ 1,657

(b) Reinsurance Ceded

The Company also reinsures its business through a diversified group of reinsurers. The Company remains liable to the extent its reinsurers do not meet their obligations under the reinsurance agreements. The Company monitors trends in arbitration and any litigation outcomes with its reinsurers. Collectability of reinsurance balances is evaluated by monitoring ratings and the financial strength of its reinsurers. The effect of reinsurance on net premiums earned and claims incurred and policyholder benefits paid are as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Premiums earned:			
Gross amounts, including reinsurance assumed	**$ 5,430**	$ 3,662	$ 1,017
Reinsurance ceded	**(1,293)**	(651)	(1)
Net premiums earned	**$ 4,137**	$ 3,011	$ 1,016
Policyholder benefits paid and claims incurred:			
Gross amounts, including reinsurance assumed	**$ (3,378)**	$ (1,695)	$ (90)
Reinsurance ceded	**830**	384	18
Net benefits paid and claims incurred	**$ (2,548)**	$ (1,311)	$ (72)

NOTE 13. SEPARATE ACCOUNT ASSETS AND LIABILITIES

The following table presents the change of the Company's separate account assets and liabilities:

AS OF AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022
Balance, beginning of year	**$ 1,045**	$ —
Additions (deductions):		
Acquisition from business combination	**—**	1,123
Policyholder deposits	**77**	44
Net investment income	**33**	32
Net realized capital gains on investments	**170**	(72)
Policyholder benefits and withdrawals	**(117)**	(66)
Net transfer from (to) general account	**(8)**	(10)
Policy charges	**(11)**	(6)
Total changes	**144**	1,045
Balance, end of year	**$ 1,189**	$ 1,045

The Company had no separate account assets and liabilities as of and for the year ended December 31, 2021.

NOTE 14. DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The following tables present a rollforward of DAC and VOBA asset, for the periods indicated:

AS OF AND FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
DAC			
Balance, beginning of year	$ 254	$ 927	$ 1,181
Additions	781	521	1,302
Amortization	(449)	(75)	(524)
Net change	332	446	778
Balance, end of year	**586**	**1,373**	**1,959**
VOBA Asset			
Balance, beginning of year	404	—	404
Acquisition from business combinations	176	—	176
Additions	37	—	37
Amortization	(108)	—	(108)
Net change	105	—	105
Balance, end of year	**509**	**—**	**509**
Total DAC and VOBA Asset	**$ 1,095**	**$ 1,373**	**$ 2,468**

AS OF AND FOR THE YEAR ENDED DEC. 31, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
DAC			
Balance, beginning of year	$ —	$ 710	$ 710
Additions	442	266	708
Amortization	(188)	(49)	(237)
Net change	254	217	471
Balance, end of year	**254**	**927**	**1,181**
VOBA Asset			
Balance, beginning of year	—	—	—
Acquisition from business combinations	538	—	538
Amortization	(134)	—	(134)
Net change	404	—	404
Balance, end of year	**404**	**—**	**404**
Total DAC and VOBA Asset	**$ 658**	**$ 927**	**$ 1,585**

AS OF AND FOR THE YEAR ENDED DEC. 31, 2021 US$ MILLIONS	Reinsurance	Total
DAC		
Balance, beginning of year	$ —	$ —
Additions	720	720
Amortization	(10)	(10)
Net change	710	710
Balance, end of year	**$ 710**	**$ 710**

As stated in Note 2, VOBA asset are included in "Deferred policy acquisition costs" in the statements of financial position. The amortization of VOBA asset is recorded in "Net change in deferred policy acquisition cost" in the statements of operations. There were no VOBA assets in 2021.

The following table provides the projected VOBA asset amortization expenses for a five-year period and thereafter:

Years	US$ MILLIONS
2024	$ 163
2025	39
2026	30
2027	24
2028	23
Thereafter	230
Total amortization expense	**$ 509**

NOTE 15. INTANGIBLE ASSETS

The components of definite-lived and indefinite-lived intangible assets are as follows. Refer to Note 14 for VOBA asset, which is an actuarial intangible asset arising from a business combination.

AS OF DEC. 31 US$ MILLIONS	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	2023			2022		
Definite-lived intangible assets:						
Distributor relationships	**$ 28**	**$ —**	**$ 28**	$ 6	$ —	$ 6
Trade name	**24**	**(2)**	**22**	12	(2)	10
Unpaid claims reserve intangible asset	**104**	**(5)**	**99**	—	—	—
Software and other	**32**	**(2)**	**30**	—	—	—
Total definite-lived intangible assets	**188**	**(9)**	**179**	18	(2)	16
Indefinite-lived intangible assets:						
Insurance licenses	**56**	**—**	**56**	36	—	36
Total	**$ 244**	**$ (9)**	**$ 235**	$ 54	$ (2)	$ 52

No impairment expenses of intangible assets were recognized for the years ended December 31, 2023, 2022 and 2021. We estimate that our intangible assets do not have any significant residual value in determining their amortization. Amortization expenses were $7 million, $1 million and nil for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table outlines the estimated future amortization expense related to definite-lived intangible assets held as of December 31, 2023.

Years	US$ MILLIONS
2024	$ 46
2025	35
2026	26
2027	19
2028	15
Thereafter	38
Total amortization expense	**$ 179**

NOTE 16. ACQUISITIONS AND DISPOSITION

Acquisitions

Argo Group International Holdings, Inc.

On November 16, 2023, the Company acquired Argo Group International Holdings, Ltd. On November 30, 2023, Argo Group International Holdings, Ltd. was re-domiciled to a U.S. corporation and changed its name to Argo Group International Holdings, Inc. ("Argo"). Argo is an underwriter of specialty insurance products in the property and casualty market. Upon closing of the acquisition, the Company acquired 100% of all Argo's issued and outstanding shares in exchange for $30 per share in an all-cash transaction for $1.1 billion. The Company acquired all assets and assumed all liabilities of Argo as of the closing date, and consolidates the business for financial statement purposes. The acquired business contributed revenues of $191 million and net profit of $1 million to the Company for the period from November 16, 2023 to December 31, 2023. Had the acquisition occurred on January 1, 2022, the consolidated unaudited pro forma revenue and net profit (loss) would be $8.3 billion and $587 million, respectively, for the year ended December 31, 2023 and $6.1 billion and $326 million, respectively, for the year ended December 31, 2022. The pro forma amounts have been calculated using the subsidiary's results and adjusting them for the revised depreciation and amortization that would have been charged assuming the fair value adjustments to investments, property and equipment and intangible assets had applied from January 1, 2022, together with the consequential tax effects.

Accounting for the acquisition of Argo is not finalized, and there remains some measurement uncertainty on the acquisition valuation, which is pending completion of a comprehensive evaluation of the net assets acquired within the next twelve months, including but not limited to identifiable intangible assets, fixed assets, deferred income tax assets and liabilities for unpaid claims and claim adjustment expenses. The financial statements as of December 31, 2023 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation will occur by the fourth quarter of 2024.

The initial acquisition accounting resulted in a bargain purchase gain, which represents the excess of the fair value of net assets acquired over the purchase price. As of December 31, 2023, due to the aforementioned twelve-month measurement period, the Company deferred the recognition of such gain by recognizing a provisional deferred credit of $51 million within "Other liabilities" on the statements of financial position. The provisional bargain purchase gain was attributable to the negotiation process with Argo.

Acquisition costs of $13 million incurred at the acquisition date were recorded as "Operating expenses" in the statements of operations.

The following summarizes the consideration transferred, fair value of assets acquired and liabilities assumed at the acquisition date:

Assets acquired	US$ MILLIONS
Investments	$ 3,460
Cash and cash equivalents	713
Accrued investment income	17
Value of business acquired	176
Reinsurance funds withheld	20
Premiums due and other receivables	332
Ceded unearned premiums	388
Deferred tax asset	54
Reinsurance recoverables	2,982
Property and equipment	85
Intangible assets	186
Other assets	166
Total assets acquired	**8,579**
Liabilities assumed	
Policy and contract claims	5,526
Unearned premium reserve	986
Subsidiary borrowings	369
Other liabilities	451
Total liabilities assumed	**7,332**
Less: Non-controlling interest	137
Net assets acquired	**1,110**
Deferred gain on bargain purchase	**$ 51**

American National Group, LLC

On May 25, 2022, the Company acquired American National. American National offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Under the terms of the Merger Agreement, the Company acquired 100% of all American National's issued and outstanding shares in exchange for $190 per share, which is equivalent to $5.1 billion. The consideration was all cash. The Company acquired all assets and assumed all liabilities of American National as of the closing date, and consolidates the business for financial statement purposes. The acquired business contributed revenues of $2.3 billion and net profit of $324 million to the Company for the period from May 25 to December 31, 2022. Had the acquisition occurred on January 1, 2021, the consolidated unaudited pro forma revenue and net profit would be $5.8 billion and $634 million, respectively, for the year ended December 31, 2022 and $5.4 billion and $588 million, respectively, for the year ended December 31, 2021. The pro forma amounts have been calculated using the subsidiary's results and adjusting them for the revised depreciation and amortization that would have been charged assuming the fair value adjustments to investments, property and equipment and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

As part of re-assessing the final valuations of certain assets, such as intangible assets and goodwill, and certain liabilities, the Company recognized measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Measurement period adjustments consist primarily of a decrease of $37 million to property and equipment, a decrease of $16 million to value of business acquired, an increase of $19 million to goodwill and a decrease of $29 million to future policy benefits.

The valuation was finalized in the second quarter of 2023 as follows:

Assets acquired		US$ MILLIONS
Investments	$	22,519
Cash and cash equivalents		1,021
Accrued investment income		101
Value of business acquired		555
Premiums due and other receivables		437
Ceded unearned premiums		45
Deferred tax assets		374
Reinsurance recoverables		410
Property and equipment		138
Intangible assets		51
Equity accounted investment		1,402
Investment properties		541
Other assets		296
Separate account assets		1,123
Total assets acquired		**29,013**
Liabilities assumed		
Future policy benefits		5,304
Policyholders' account balances		13,880
Policy and contract claims		1,706
Unearned premium reserve		1,073
Other policyholder funds		324
Notes payable		158
Other liabilities		449
Separate account liabilities		1,123
Total liabilities assumed		**24,017**
Less: Non-controlling interest		(10)
Net assets acquired		**4,986**
Goodwill	**$**	**121**

Disposition of Held-for-Sale Business

On December 1, 2023, the Company closed the sale of its held-for-sale health insurance business to a third party. The business was acquired by a third party for cash proceeds of $79 million through their acquisition of 100% of the stock of one wholly-owned subsidiary and certain reinsurance transactions. The carrying value of the disposed business was approximately $36 million. After taking into account the transaction and other costs of $10 million, the Company recognized a pre-tax gain on the sale of $33 million, which is included in "Investment related gains (losses)" in the statements of operations.

NOTE 17. FUTURE POLICY BENEFITS

The reconciliation of the balances described in the table below to the "Future policy benefits" in the statements of financial position is as follows.

AS OF DEC. 31 US$ MILLIONS	**2023**	2022
Future policy benefits		
Direct Insurance	**$ 3,147**	$ 3,136
Pension Risk Transfer	**4,521**	2,964
Deferred profit liability		
Direct Insurance	**98**	24
Pension Risk Transfer	**228**	187
Other contracts and VOBA liability	**1,819**	1,700
Total future policy benefits	**$ 9,813**	$ 8,011

a. Future Policy Benefits

The balances and changes in the liability for future policy benefits are as follows:

AS OF AND FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS, EXCEPT FOR YEARS AND PERCENTAGES	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Balance, beginning of year	$ 3,775	$ —	**$ 3,775**
Beginning balance at original discount rate	4,088	—	**4,088**
Effect of changes in cash flow assumptions[1]	(317)	—	**(317)**
Effect of actual variances from expected experience	(59)	—	**(59)**
Adjusted beginning of year balance	3,712	—	**3,712**
Issuances	109	1,431	**1,540**
Interest accrual	131	12	**143**
Net premiums collected	(424)	(1,444)	**(1,868)**
Derecognitions (lapses and withdrawals)	(38)	1	**(37)**
Ending balance at original discount rate	3,490	—	**3,490**
Effect of changes in discount rate assumptions	(119)	—	**(119)**
Balance, end of year	$ 3,371	$ —	**$ 3,371**
Present value of expected future policy benefits			
Balance, beginning of year	$ 6,911	$ 2,964	**$ 9,875**
Beginning balance at original discount rate	7,546	3,305	**10,851**
Effect of changes in cash flow assumptions[1]	(322)	(17)	**(339)**
Effect of actual variances from expected experience	(82)	(4)	**(86)**
Adjusted beginning of year balance	7,142	3,284	**10,426**
Issuances	109	1,443	**1,552**
Interest accrual	243	166	**409**
Benefit payments	(655)	(304)	**(959)**
Derecognitions (lapses and withdrawals)	(38)	2	**(36)**
Foreign currency translation	—	80	**80**
Ending balance at original discount rate	6,801	4,671	**11,472**
Effect of changes in discount rate assumptions	(283)	(150)	**(433)**
Balance, end of year	$ 6,518	$ 4,521	**$ 11,039**
Net liability for future policy benefits	3,147	4,521	**7,668**
Less: Reinsurance recoverables	(60)	(50)	**(110)**
Net liability for future policy benefits, after reinsurance recoverable	**$ 3,087**	**$ 4,471**	**$ 7,558**
Weighted-average liability duration of future policy benefits (years)	**13**	**9**	
Weighted average interest accretion rate	**5 %**	**4 %**	
Weighted average current discount rate	**5 %**	**5 %**	

1. For the year ended December 31, 2023, the Company recognized liability remeasurement gains of $3 million from the net effect of the changes in cash flow assumptions, which were included in “Policyholder benefits and claims incurred” in the statements of operations. For Direct Insurance segment, the net effect of the changes in cash flow assumptions was a net decrease of liability for future policy benefits, primarily driven by a favorable mortality for annuity products and a decrease in lapse rates and a favorable mortality for term life products. For Pension Risk Transfer segment, the net effect of changes in cash flow assumptions on liability for future policy benefits was largely offset by the corresponding impact in deferred profit liability.

AS OF AND FOR THE YEAR ENDED DEC. 31, 2022 US$ MILLIONS, EXCEPT FOR YEARS AND PERCENTAGES	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Balance, beginning of year	$ —	$ —	$ —
Acquisition from business combination	4,142	—	4,142
Issuances	170	—	170
Interest accrual	58	—	58
Net premiums collected	(252)	—	(252)
Derecognitions (lapses and withdrawals)	(30)	—	(30)
Ending balance at original discount rate	4,088	—	4,088
Effect of changes in discount rate assumptions	(313)	—	(313)
Balance, end of year	$ 3,775	$ —	$ 3,775
Present value of expected future policy benefits			
Balance, beginning of year	$ —	$ 2,171	$ 2,171
Beginning balance at original discount rate	—	2,071	2,071
Effect of actual variances from expected experience	—	4	4
Adjusted beginning of year balance	—	2,075	2,075
Acquisition from business combination	7,614	—	7,614
Issuances	169	1,528	1,697
Interest accrual	104	63	167
Benefit payments	(311)	(142)	(453)
Derecognitions (lapses and withdrawals)	(30)	—	(30)
Foreign currency translation	—	(219)	(219)
Ending balance at original discount rate	7,546	3,305	10,851
Effect of changes in discount rate assumptions	(635)	(353)	(988)
Effect of foreign currency translation on the effect of changes in discount rate assumptions	—	12	12
Balance, end of year	$ 6,911	$ 2,964	$ 9,875
Net liability for future policy benefits	3,136	2,964	6,100
Less: Reinsurance recoverables	(64)	(88)	(152)
Net liability for future policy benefits, after reinsurance recoverable	$ 3,072	$ 2,876	$ 5,948
Weighted-average liability duration of future policy benefits (years)	13	9	
Weighted average interest accretion rate	5 %	3 %	
Weighted average current discount rate	5 %	5 %	

AS OF AND FOR THE YEAR ENDED DEC. 31, 2021 US$ MILLIONS, EXCEPT FOR YEARS AND PERCENTAGES	**Pension Risk Transfer**	**Total**
Present value of expected future policy benefits		
Balance at current discount rate, beginning of year	$ 1,195	$ 1,195
Transition impacts	126	126
Adjusted beginning of year balance, at current discount rate	1,321	1,321
Beginning balance at original discount rate	1,115	1,115
Effect of actual variances from expected experience	(15)	(15)
Adjusted beginning of year balance	1,100	1,100
Issuances	1,000	1,000
Interest accrual	40	40
Benefit payments	(71)	(71)
Foreign currency translation	2	2
Ending balance at original discount rate	2,071	2,071
Effect of changes in discount rate assumptions	97	97
Effect of foreign currency translation on the effect of changes in discount rate assumptions	3	3
Balance, end of year	$ 2,171	$ 2,171
Net liability for future policy benefits	2,171	2,171
Less: Reinsurance recoverables	(142)	(142)
Net liability for future policy benefits, after reinsurance recoverable	$ 2,029	$ 2,029
Weighted-average liability duration of future policy benefits (years)	10	
Weighted average interest accretion rate	4 %	
Weighted average current discount rate	1 %	

The amounts of undiscounted and discounted expected gross premiums and future benefit payments follow:

	2023		2022	
AS OF DEC. 31 US$ MILLIONS	**Undiscounted**	**Discounted**	Undiscounted	Discounted
Direct Insurance				
Expected future benefit payments	**$ 12,564**	**$ 6,518**	$ 14,524	$ 6,911
Expected future gross premiums	**8,010**	**4,660**	9,604	4,918
Pension Risk Transfer				
Expected future benefit payments	**7,338**	**4,521**	5,023	2,964
Expected future gross premiums	**—**	**—**	—	—
Total				
Expected future benefit payments	**19,902**	**11,039**	19,547	9,875
Expected future gross premiums	**8,010**	**4,660**	9,604	4,918

The amount of revenue and interest recognized in the statements of operations follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	Gross Premiums or Assessments			Interest Expense		
	2023	2022	2021	**2023**	2022	2021
Direct Insurance	**$ 626**	$ 327	$ —	**$ 160**	$ 47	$ —
Pension Risk Transfer	**1,481**	1,557	1,017	**126**	68	45

b. Deferred Profit Liability

For limited-pay products, gross premiums received in excess of net premiums are deferred at initial recognition as deferred profit liability ("DPL"). The assumptions and reflection of experience for DPL will be consistent with those used in the liability for future policy benefits, including the remeasurement methodology. The discount rate used in calculating DPL will be consistent with the locked-in rate used for the liability for future policy benefits.

DPL is amortized into income on a constant basis in relation with benefit payments. For life contingent payout annuities, DPL is amortized over expected future benefit payments.

For limited payment traditional life permanent contracts, DPL is amortized over face amount for limited payment traditional life permanent contracts.

AS OF AND FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of year	$ 24	$ 187	**$ 211**
Effect of changes in cash flow assumptions	(1)	13	**12**
Effect of actual variances from expected experience	24	4	**28**
Adjusted beginning of year balance	47	204	**251**
Profits deferred	52	29	**81**
Interest accrual	2	9	**11**
Amortization	(3)	(18)	**(21)**
Foreign currency translation	—	4	**4**
Balance, end of year	**$ 98**	**$ 228**	**$ 326**

AS OF AND FOR THE YEAR ENDED DEC. 31, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of year	$ —	$ 158	$ 158
Effect of actual variances from expected experience	4	(8)	(4)
Adjusted beginning of year balance	4	150	154
Profits deferred	20	51	71
Interest accrual	—	5	5
Amortization	—	(6)	(6)
Foreign currency translation	—	(13)	(13)
Balance, end of year	$ 24	$ 187	$ 211

AS OF AND FOR THE YEAR ENDED DEC.31, 2021 US$ MILLIONS	Pension Risk Transfer	Total
Balance, beginning of year	$ 57	$ 57
Transition impacts	80	80
Adjusted balance, beginning of year	137	137
Effect of actual variances from expected experience	(6)	(6)
Adjusted beginning of year balance	131	131
Profits deferred	26	26
Interest accrual	2	2
Amortization	(2)	(2)
Foreign currency translation	1	1
Balance, end of year	$ 158	$ 158

NOTE 18. POLICYHOLDERS' ACCOUNT BALANCES

Policyholders' account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholders' account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances follow.

AS OF AND FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of year	$ 14,308	$ 5,833	**$ 20,141**
Issuances	4,466	177	**4,643**
Premiums received	433	1,988	**2,421**
Policy charges	(401)	(37)	**(438)**
Surrenders and withdrawals	(2,242)	(267)	**(2,509)**
Interest credited	640	35	**675**
Benefit payments	—	(35)	**(35)**
Other	(27)	68	**41**
Balance, end of year	**$ 17,177**	**$ 7,762**	**$ 24,939**

AS OF AND FOR THE YEAR ENDED DEC. 31, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of year	$ —	$ 4,677	**$ 4,677**
Acquisition from business combination	13,802	—	**13,802**
Issuances	1,111	327	**1,438**
Premiums received	252	1,065	**1,317**
Policy charges	(215)	(28)	**(243)**
Surrenders and withdrawals	(861)	(179)	**(1,040)**
Interest credited	155	32	**187**
Benefit payments	—	(28)	**(28)**
Other	64	(33)	**31**
Balance, end of year	**$ 14,308**	**$ 5,833**	**$ 20,141**

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums follow.

AS OF DEC. 31, 2023 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ 2,590	$ 30	$ 487	$ 727	$ —	**$ 3,834**
	1% - 2%	860	432	2,090	2,530	—	**5,912**
	2% - 3%	1,246	410	275	4,225	—	**6,156**
	Greater than 3%	917	7	1	1	—	**926**
	Other[1]	—	—	—	—	349	**349**
	Total	$ 5,613	$ 879	$ 2,853	$ 7,483	$ 349	**$ 17,177**
Reinsurance	0% - 1%	$ —	$ 681	$ 207	$ 42	$ —	**$ 930**
	1% - 2%	—	—	16	—	—	**16**
	Other[1]	—	—	—	—	6,816	**6,816**
	Total	$ —	$ 681	$ 223	$ 42	$ 6,816	**$ 7,762**

1. Other includes products with either a fixed rate or no guaranteed minimum crediting rate.

AS OF DEC. 31, 2022 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ —	$ —	$ —	$ —	$ —	**$ —**
	1% - 2%	4,284	531	2,735	2,529	—	**10,079**
	2% - 3%	1,583	565	342	66	—	**2,556**
	Greater than 3%	607	8	5	—	—	**620**
	Other[1]	—	—	—	—	1,053	**1,053**
	Total	$ 6,474	$ 1,104	$ 3,082	$ 2,595	$ 1,053	**$ 14,308**
Reinsurance	0% - 1%	$ —	$ 407	$ 199	$ 1	$ —	**$ 607**
	1% - 2%	—	—	11	—	—	**11**
	Other[1]	—	—	—	—	5,215	**5,215**
	Total	$ —	$ 407	$ 210	$ 1	$ 5,215	**$ 5,833**

1. Other includes products with either a fixed rate or no guaranteed minimum crediting rate.

NOTE 19. MARKET RISK BENEFITS

The net balance of market risk benefit asset and liabilities of, and changes in guaranteed minimum withdrawal benefits associated with, annuity contracts follow.

AS OF AND FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of year, before effect of changes in the instrument-specific credit risk	$ 44	$ 70	**$ 114**
Effect of changes in the beginning instrument-specific credit risk	26	(28)	**(2)**
Attributed fees collected	13	32	**45**
Interest accrual	3	3	**6**
Adjustment from deterministic to stochastic	20	(17)	**3**
Effect of experience variance	(13)	4	**(9)**
Effect of changes in financial assumptions	(80)	(100)	**(180)**
Effect of changes in other future expected assumptions	(13)	(12)	**(25)**
Effect of changes in the ending instrument-specific credit risk	(1)	15	**14**
Issuance	1	88	**89**
Balance, end of year	**$ —**	**$ 55**	**$ 55**
Net amount of risk	$ —	$ 868	
Weighted average attained age of contract holders (years)	65	66	

AS OF AND FOR THE YEAR ENDED DEC. 31, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of year, before effect of changes in the instrument-specific credit risk	$ —	$ 68	$ 68
Effect of changes in the beginning instrument-specific credit risk	44	(1)	43
Attributed fees collected	5	23	28
Interest accrual	2	1	3
Adjustment from deterministic to stochastic	12	3	15
Effect of experience variance	(4)	(2)	(6)
Effect of changes in financial assumptions	(119)	(75)	(194)
Effect of changes in the ending instrument-specific credit risk	(70)	28	(42)
Issuance and other	174	25	199
Balance, end of year	$ 44	$ 70	$ 114
Net amount of risk	$ 453	$ 597	
Weighted average attained age of contract holders (years)	64	66	

AS OF AND FOR THE YEAR ENDED DEC. 31, 2021 US$ MILLIONS	Reinsurance	Total
Balance, beginning of year, before effect of changes in the instrument-specific credit risk	$ 54	$ 54
Attributed fees collected	5	5
Adjustment from deterministic to stochastic	(6)	(6)
Effect of experience variance	12	12
Effect of changes in financial assumptions	1	1
Effect of changes in the ending instrument-specific credit risk	1	1
Issuance	1	1
Balance, end of year	$ 68	$ 68
Net amount at risk	$ 328	
Weighted average attained age of contract holders (years)	66	

As of December 31, 2023, 2022 and 2021, the Company had no reinsurance recoverables pertaining to market risk benefits.

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the "Market risk benefits" amount in the statements of financial position follows.

AS OF DEC. 31 US$ MILLIONS	**2023**			2022		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Direct Insurance	$ 34	$ (34)	$ —	$ 10	$ (54)	$ (44)
Reinsurance	—	(55)	(55)	—	(70)	(70)
Total	**$ 34**	**$ (89)**	**$ (55)**	$ 10	$ (124)	$ (114)

NOTE 20. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for unpaid claims and claim adjustment expenses ("unpaid claims") for property and casualty insurance is included in "Policy and contract claims" in the statements of financial position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled ("case reserves"), as well as associated claim adjustment expenses.

Reserving for IBNR claims are based on the estimated ultimate cost of settling claims, including the effects of inflation and other social and economic factors, using past experience adjusted for current trends and any other factors that would modify past experience. The Company uses a variety of actuarial techniques to analyze current claims costs, including frequency and severity data. These actuarial techniques consider variables such as past claims experience, current claims trends and prevailing economic, social and legal environments. The suitability of each actuarial technique depends on the characteristics of insurance products, some of which have a stable pattern of claims and expense emergence while others may not have a stable pattern or may not be mature enough to use past claims data to forecast ultimate claims and expenses. The general approach for estimating reserves for IBNR claims is to forecast ultimate claims and expenses first, which are reduced by the amount of cumulative paid claims and case reserves. Reserves established in prior years are adjusted as claims experience develops and new information becomes available. The effects of changes to previously estimated reserves are included in the statements of operations in the year in which the changes occur. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims.

Information regarding the liability for unpaid claims is shown below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022
Policy and contract claims, beginning	**$ 1,786**	$ 1,706
Less: Unpaid claims balance, beginning – long-duration	**217**	210
Gross unpaid claims balance, beginning – short-duration	**1,569**	1,496
Less: Reinsurance recoverables, beginning	**305**	281
Net unpaid claims balance, beginning – short-duration	**1,264**	1,215
Acquisition from business combination, net of reinsurance	**2,735**	—
Add: incurred related to		
Current accident year	**1,653**	831
Prior accident years	**(80)**	(31)
Total incurred claims	**1,573**	800
Less: paid claims related to		
Current accident year	**998**	555
Prior accident years	**533**	196
Total paid claims	**1,531**	751
Net unpaid claims balance, ending – short-duration	**4,041**	1,264
Foreign currency translation	**4**	—
Add: Reinsurance recoverables, ending	**3,045**	305
Gross unpaid claims balance, ending – short-duration	**7,090**	1,569
Add: Unpaid claims balance, ending – long duration	**198**	217
Policy and contract claims, ending	**$ 7,288**	$ 1,786

The Company had no liability for unpaid claims in 2021.

The estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately $80 million and $31 million, respectively, for the years ended December 31, 2023 and 2022. The favorable development in 2023 was a reflection of lower-than-anticipated losses emerging from the liability line of business, including commercial auto, commercial multi-peril and workers compensation businesses. The favorable development in 2022 was a reflection of lower liability claim settlement costs emerging primarily from the liability line of business, including personal and commercial auto, agribusiness and commercial business owner businesses.

Claims and Claim Adjustment Expenses

The claims development tables as of December 31, 2023 are presented separately for each of the following major property and casualty lines of business:

- **Liability** – includes a broad range of primary and excess casualty products, such as specialty casualty, construction defect, general liability, commercial multi-peril, workers compensation, product liability, environmental liability and auto liability
- **Professional** – provides both admitted and non-admitted policies for professional liability such as management liability (including directors and officers), transaction liability and errors and omissions liability
- **Property** – offers policies protecting various types of personal and commercial properties from man-made and natural disasters, including property insurance for homeowners and renters, inland marine and auto physical damages
- **Specialty** – includes niche insurance coverages such as surety, animal mortality and ocean marine

The reconciliation of the net incurred and paid claims development tables to the "Policy and contract claims" in the statement of financial position follows.

AS OF DEC. 31 US$ MILLIONS	2023
Net outstanding liabilities:	
Liability	$ 2,677
Professional	511
Property	90
Specialty	87
Other short-duration lines not included in claims development table[1]	522
Total liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	**3,887**
Reinsurance recoverables:	
Liability	1,482
Professional	409
Property	168
Specialty	48
Other short-duration lines not included in claims development table[1]	795
Total reinsurance recoverables[2]	**2,902**
Insurance lines other than short-duration	177
Unallocated claim adjustment expenses	322
Policy and contract claims	**$ 7,288**

1. Certain lines of business were excluded from claims development tables and other disclosures that are applicable to short-duration contracts due to significantly longer claims development period (e.g., for claim coverages relating to accident years prior to the mid-1990s) or individually insignificant lines of business that do not fall under the Company's four major property and casualty lines.

2. Balance excludes $143 million of reinsurance recoverables on short-duration health claims as of December 31, 2023.

The amounts of incurred and paid claims are presented net of reinsurance. The tables present claims development and cumulative claim payments by incurred year and are only presented for significant short-duration product liabilities. The information about incurred and paid claims development prior to 2023 is presented as supplementary information. The cumulative number of reported claims is calculated on a per claim basis.

Liability Line of Business

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance Years ended December 31, (unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	As of December 31, 2023 IBNR & Expected Development on Reported Losses	Cumulative Number of Reported Claims
2014	$ 814	$ 799	$ 786	$ 774	$ 774	$ 769	$ 773	$ 786	$ 756	$ 757	$ (4)	85,003
2015		821	819	799	798	792	799	812	782	784	2	82,647
2016			874	869	855	862	859	880	851	856	9	86,255
2017				954	952	954	962	996	947	951	6	98,248
2018					1,055	1,045	1,011	1,006	948	965	18	103,458
2019						1,082	1,069	1,057	937	963	18	95,280
2020							1,067	1,017	986	1,038	149	84,739
2021								1,155	1,156	1,185	278	82,318
2022									1,235	1,249	416	79,061
2023										1,358	630	82,413
									Total	**$ 10,106**		

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance Years ended December 31, (unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 224	$ 391	$ 505	$ 594	$ 654	$ 692	$ 715	$ 726	$ 741	$ 745
2015		221	388	499	598	667	706	736	757	759
2016			245	418	538	655	714	768	809	819
2017				260	475	615	729	807	876	889
2018					283	506	644	749	846	875
2019						287	533	666	783	844
2020							306	517	636	756
2021								343	590	736
2022									355	625
2023										465
									Total	**$ 7,513**
									All outstanding liabilities before 2014, net of reinsurance	84
									Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 2,677**

Professional Line of Business

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As of December 31, 2023	
	Years ended December 31, (unaudited)											
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	IBNR & Expected Development on Reported Losses	Cumulative Number of Reported Claims
2014	$ 23	$ 23	$ 27	$ 35	$ 37	$ 36	$ 36	$ 35	$ 34	$ 34	$ (1)	1,125
2015		31	31	34	35	38	39	39	32	32	(3)	1,903
2016			45	46	46	44	37	44	45	47	2	3,326
2017				61	63	79	89	101	88	88	(10)	3,840
2018					72	74	80	96	90	89	(4)	4,355
2019						95	98	106	96	119	15	4,954
2020							154	144	129	161	42	5,065
2021								179	160	161	68	5,199
2022									186	170	122	5,147
2023										149	142	4,422
									Total	**$ 1,050**		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31, (unaudited)									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 2	$ 6	$ 16	$ 25	$ 27	$ 33	$ 34	$ 35	$ 35	$ 35
2015		2	9	17	22	27	32	33	35	35
2016			2	12	26	30	32	35	39	45
2017				4	25	38	61	79	87	87
2018					5	18	45	64	80	81
2019						6	34	51	83	94
2020							14	37	72	83
2021								12	40	55
2022									15	27
2023										9
									Total	**$ 551**
	All outstanding liabilities before 2014, net of reinsurance									12
	Liabilities for claims and claim adjustment expenses, net of reinsurance									**$ 511**

Property Line of Business

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — Years ended December 31, (unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	As of December 31, 2023 — IBNR & Expected Development on Reported Losses	Cumulative Number of Reported Claims
2014	$ 80	$ 82	$ 77	$ 77	$ 77	$ 77	$ 76	$ 76	$ 76	$ 75	$ (1)	8,057
2015		74	73	70	69	69	69	69	68	68	(1)	7,362
2016			59	58	57	57	57	57	54	54	—	7,701
2017				75	80	87	95	95	97	91	(3)	9,930
2018					89	93	95	97	102	101	(4)	10,881
2019						91	89	98	98	90	(7)	11,496
2020							130	133	133	134	(6)	11,379
2021								112	115	117	(6)	10,312
2022									446	451	3	65,562
2023										472	21	68,475
									Total	$ 1,653		

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — Years ended December 31, (unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 52	$ 73	$ 76	$ 76	$ 76	$ 76	$ 76	$ 76	$ 76	$ 76
2015		45	68	69	68	68	69	69	69	69
2016			39	55	56	56	56	56	55	55
2017				54	95	114	101	88	95	91
2018					61	127	107	99	101	103
2019						56	82	91	94	96
2020							76	117	122	127
2021								71	118	118
2022									350	439
2023										393
									Total	$ 1,567
									All outstanding liabilities before 2014, net of reinsurance	4
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 90

Specialty Line of Business

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As of December 31, 2023	
	Years ended December 31, (unaudited)											
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	IBNR & Expected Development on Reported Losses	Cumulative Number of Reported Claims
2014	$ 13	$ 13	$ 9	$ 6	$ 5	$ 5	$ 5	$ 4	$ 4	$ 4	$ —	20
2015		15	14	10	6	1	1	—	—	—	—	14
2016			15	15	11	6	5	3	3	3	—	46
2017				17	17	9	2	2	2	2	—	62
2018					21	17	3	4	4	3	—	82
2019						23	9	6	6	6	—	140
2020							25	10	17	16	—	322
2021								28	7	4	—	479
2022									99	92	7	17,197
2023										145	51	18,017
									Total	**$ 275**		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	Years ended December 31, (unaudited)									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 1	$ 3	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4
2015		—	—	—	—	—	—	—	—	—
2016			1	2	2	2	2	3	3	3
2017				1	1	1	1	1	1	1
2018					—	1	2	1	2	3
2019						1	1	3	5	5
2020							—	8	11	12
2021								—	2	3
2022									45	74
2023										84
									Total	**$ 189**
All outstanding liabilities before 2014, net of reinsurance										1
Liabilities for claims and claim adjustment expenses, net of reinsurance										**$ 87**

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims as of December 31, 2023 and 2022 were $4 million and $16 million, respectively.

Claims Duration

The following table provides supplementary information about the 10-year average annual percentage payout of incurred claims as of December 31, 2023:

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance									
AS OF DEC. 31, 2023	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Liability	23.2 %	21.8 %	16.6 %	15.5 %	8.9 %	5.2 %	3.0 %	1.8 %	1.1 %	1.8 %
Property	72.1 %	24.3 %	2.6 %	0.7 %	0.2 %	0.1 %	— %	— %	— %	— %
Professional	5.6 %	17.1 %	20.0 %	17.8 %	13.4 %	9.5 %	6.3 %	4.0 %	2.5 %	1.5 %
Specialty	35.7 %	40.0 %	15.6 %	5.6 %	1.6 %	0.7 %	0.3 %	0.1 %	0.1 %	0.1 %

Information about Amounts Reported at Present Value

The Company discount the liability for unpaid claims relating to certain of its products within Liability line of business as well as certain pension-type liabilities not included in the four major property and casualty lines of business. The following tables provide information about these discounted liabilities for unpaid claims:

AS OF DEC. 31 US$ MILLIONS	Carrying amount of policy and contract claims		Aggregate amount of discount	
	2023	2022	**2023**	2022
Liability	**$ 183**	$ —	**$ 16**	$ —
Other	**77**	—	**5**	—
Total	**$ 260**	$ —	**$ 21**	$ —

AS OF AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT FOR PERCENTAGES	Interest Accretion[1]		Discount rate	
	2023	2022	**2023**	2022
Liability	**$ —**	$ —	**2 %**	— %
Other	**—**	—	**4 %**	— %
Total	**$ —**	$ —		

1. Interest accretion is recorded within "Policyholder benefits and claims incurred" in the statements of operations.

NOTE 21. CORPORATE AND SUBSIDIARY BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $750 million (2022 – $500 million). The credit facilities bear interest at the specified SOFR or bankers' acceptance rate plus a spread and have maturity dates of November 2024 ($200 million) and June 2028 ($550 million). As of December 31, 2023, $430 million was drawn on the bilateral credit facilities (2022 – $356 million).

The Company has a $1.0 billion 364-day revolving credit facility, for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As of December 31, 2023, the facility had $776 million outstanding (2022 – $804 million).

The Company also has a $500 million 364-day secured facility, maturing in April 2024 (2022 – $1.0 billion, April 2023). As of December 31, 2023 and 2022 the facility was fully drawn.

The Company also has a credit facility with Brookfield maturing in June 2025 that, as of December 31, 2023, permitted borrowings of up to $400 million under the Brookfield Credit Agreement, as discussed in Note 1(b)(v). As of December 31, 2023 and 2022, there were no amounts drawn on the facility.

Subsidiary borrowings of $1.9 billion relate to debt issued at American National and Argo. $1.0 billion matures in 2027 and the remaining $863 million matures between 2033 and 2042.

The above noted facilities require the Company and its subsidiaries to maintain minimum net worth covenants. As of December 31, 2023 and 2022, the Company was in compliance with its financial covenants.

The following is the maturity by year on corporate and subsidiary borrowings:

AS OF DEC. 31, 2023 US$ MILLIONS		Payments due by year Total	Less than 1 year	1 - 2 years	2 -3 years	3 - 4 years	4 - 5 years	More than 5 years
Corporate borrowings	$	**1,706**	1,276	—	—	—	430	—
Subsidiary borrowings	$	**1,863**	—	—	—	1,000	—	863

AS OF DEC. 31, 2022 US$ MILLIONS		Payments due by year Total	Less than 1 year	1 - 2 years	2 -3 years	3 - 4 years	4 - 5 years	More than 5 years
Corporate borrowings	$	**2,160**	1,810	—	—	—	350	—
Subsidiary borrowings	$	**1,492**	—	—	—	—	1,000	492

NOTE 22. INCOME TAXES

Income taxes are recognized for the amount of taxes payable by the Company's subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The Company's income tax expense is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Current tax:			
Current tax on profits for the year	**$ —**	$ 36	$ —
Adjustments in respect of prior years	**3**	(15)	—
Total current tax expense	**3**	21	—
Deferred tax:			
Origination and reversal of temporary differences	**53**	(4)	(1)
Change in tax rates and imposition of new legislation	**(35)**	—	—
Adjustments in respect of prior years	**(4)**	14	—
Total deferred tax expense (recovery)	**$ 14**	$ 10	$ (1)
Total income tax expense (recovery)	**$ 17**	$ 31	$ (1)

The below reconciliation has been prepared using a statutory income tax rate, which is calculated using domestic tax rates applicable to the jurisdictions in which the Company's subsidiaries operate in the given year.

The Company's income tax expense is reconciled as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Net income (loss) before income taxes	**$ 814**	$ 532	$ (113)
Income tax at statutory tax rate	**140**	87	(7)
Tax effect of:			
International operations subject to different tax rates	**(84)**	(59)	6
Change in tax rates and imposition of new tax legislation	**(35)**	—	—
Other	**(4)**	3	—
Total income tax expense (recovery)	**$ 17**	$ 31	$ (1)

The following table presents a reconciliation of income tax rate from statutory rate to effective rate:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Statutory income tax rate	**17.3 %**	16.4 %	6.4 %
Increase (reduction) in rate resulting from:			
International operations subject to different tax rates	**(10.3)%**	(11.2)%	(5.9)%
Change in tax rates and imposition of new tax legislation	**(4.3)%**	— %	— %
Other	**(0.5)%**	0.6 %	— %
Effective income tax rate	**2.2 %**	5.8 %	0.5 %

The gross movement on the deferred tax asset is as follows:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS		2023		2022		2021
Deferred tax asset, beginning of year	**$**	**490**	$	44	$	—
Recognized in net (income) loss		**(14)**		(10)		1
Acquisition from business combination		**51**		369		2
Recognized in equity		**(99)**		86		21
Foreign exchange and other		**4**		1		20
Deferred tax asset, end of year	**$**	**432**	$	490	$	44

Deferred tax asset recognized relates to the following temporary differences:

AS OF DEC. 31 US$ MILLIONS		2023		2022
Non-capital loss carryforwards	**$**	**93**	$	7
Investments		**296**		430
Future policy benefits		**126**		(31)
Participating policyholder liabilities		**58**		55
Deferred acquisition costs		**(81)**		38
Tax credit carryforwards		**8**		4
Other		**(68)**		(13)
Total deferred tax asset	**$**	**432**	$	490

The Company evaluates the deferred tax asset based on, among other factors, historical operating results, expectation of future profitability, and the duration of the applicable statutory carryforward periods for tax attributes. Based on the evaluation of the deferred tax asset as of December 31, 2023, the Company determined that the deferred tax asset would be realized within the applicable statutory carryforward.

Refer to Note 24, Accumulated Other Comprehensive Income (Loss) for deferred income tax recovery (expense) recognized in other comprehensive income.

Introduction of Pillar Two

The Organization for Economic Cooperation and Development ("OECD") and its member countries with support from the G20, have proposed the enactment of a global minimum tax of 15% for Multinational Enterprise ("MNE") groups with global annual revenue of €750 million or more ("Pillar Two"). The Company may become subject to additional income taxes as a result of these proposals, as enacted locally across jurisdictions.

The Company is incorporated under the laws of Bermuda and is not required to pay any taxes in Bermuda based upon income or capital gains. However, in December 2023, the Government of Bermuda enacted a corporate income tax ("CIT") regime, designed to align with the OECD's global minimum tax rules. Effective January 1, 2025, the regime applies a 15% CIT to Bermuda businesses that are part of MNE groups with annual revenue of €750 million or more. As a result of this new regime, the Company recognized a deferred tax asset of $35 million as of December 31, 2023. We will continue to monitor developments prior to the commencement of this regime.

The Company has foreign operating subsidiaries principally located in Bermuda, the U.S., Canada and the Cayman Islands, as well as the United Kingdom ("U.K."). The U.K. enacted legislation in July 2023 implementing certain provisions of Pillar Two and has also stated its intention to implement the undertaxed payment rule ("UTPR"). The planned adoption of the UTPR in the U.K. would enable other jurisdictions to impose taxes on a portion of an MNE's global profits that are subject to an effective tax rate below the 15% minimum rate. While Canada has signaled its intention to fully enact Pillar Two legislation, its legislation is currently in draft. The U.S. and the Cayman Islands have not yet passed legislation with respect to Pillar Two.

The Company is currently evaluating the impact of the global minimum tax requirements by monitoring the legislative changes relating to Pillar Two and assessing their impact on our operations and financial statements.

NOTE 23. SHARE CAPITAL

As of December 31, 2023 and 2022, the Company is authorized to issue:

i. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25.00 per share;
ii. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25.00 per share;
iii. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25.00 per share;
iv. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25.00 per share;
v. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $33.42 per share (2022 – $33.70 per share);
vi. 500,000,000 Exchangeable Class A-1 Limited Non-Voting Shares with a par value of $33.42 per share;
vii. 500,000 Class B Limited Voting Shares with a par value of $33.42 per share (2022 – $33.70 per share); and
viii. 1,000,000,000 Class C Non-Voting Shares with a par value of $1.00 per share.

For the year ended December 31, 2023, the following events impacted the Company's share capital position:

- Through the month of March 2023, the Company issued 1,165,000 Class A exchangeable shares in exchange for 1,165,000 Class A shares of Brookfield, valued at $38 million.
- On March 3, 2023, the Company converted 309,037 Class A exchangeable shares for $10 million into 380,268 Class C shares.
- On October 11, 2023, the Company commenced its exchange offer (the "Offer") whereby holders of Brookfield Class A shares were given the opportunity to voluntarily exchange up to 40,000,000 Brookfield Class A shares for newly-issued Class A-1 exchangeable non-voting shares of the Company ("Class A-1 exchangeable shares") on a one-for-one basis. Each Class A-1 exchangeable share is convertible on a one-for-one basis for a Class A exchangeable share and exchangeable on a one-for-one basis for a Brookfield Class A share. The Offer closed on November 16, 2023. Under the Offer, the Company took up 32,934,574 Brookfield Class A shares and issued 32,934,574 Class A-1 exchangeable shares in exchange. As of December 31, 2023, 28,073,777 class A-1 exchangeable shares were issued and outstanding.

For the year ended December 31, 2022, the following events impacted the Company's share capital position:

- On May 25, 2022, the Company issued 98,351,547 Class A junior preferred shares and 11,270,466 Class C shares for $2.5 billion and $450 million respectively, to Brookfield.
- On November 4, 2022, Brookfield converted its holdings of 675,000 Class A exchangeable shares for $27 million into 1,066,471 Class C shares.
- On December 1, 2022, Brookfield further converted its holdings of 608,000 Class A exchangeable shares for $24 million into 5,053,138 Class C shares.
- On December 9, 2022, the Company issued 2,108,733 Class A junior preferred shares for $53 million to Brookfield.

See Note 1(b) for events that impacted the Company's share capital position for the year ended December 31, 2021, including the Spin-off.

The share capital of the Company as of December 31, 2023 and 2022 comprises the following:

AS OF DEC. 31 US$ MILLIONS, EXCEPT SHARE AMOUNTS	**2023** Number of shares	**2023** Carrying Value	2022 Number of shares	2022 Carrying Value
Issued:				
Class A redeemable junior preferred shares	**100,460,280**	**$ 2,694**	100,460,280	$ 2,580
Class A exchangeable shares	**15,311,749**	**615**	9,594,989	422
Class A-1 exchangeable shares	**28,073,777**	**961**	—	—
Class B shares	**24,000**	**1**	24,000	1
Class C shares	**102,056,784**	**3,607**	40,934,623	1,467

As of December 31, 2023 and 2022, there were $182 million and $68 million of accrued dividends on Class A junior preferred shares, respectively. The redemption value is equal to the carrying value as of December 31, 2023 and 2022.

The movement of shares issued and outstanding is as follows:

	Class A redeemable junior preferred shares	Class A exchangeable shares	Class A-1 exchangeable shares	Class B shares	Class C shares
Outstanding as of Jan. 1, 2021	**—**	**—**	**—**	**—**	**—**
Issuances	—	10,877,989	—	24,000	23,544,548
Outstanding as of Dec. 31, 2021	**—**	**10,877,989**	**—**	**24,000**	**23,544,548**
Issuances	100,460,280	—	—	—	11,270,466
Conversions	—	(1,283,000)	—	—	6,119,609
Outstanding as of Dec. 31, 2022	**100,460,280**	**9,594,989**	**—**	**24,000**	**40,934,623**
Issuances	**—**	1,165,000	32,934,574	—	60,741,893
Conversions	—	4,551,760	(4,860,797)	—	380,268
Outstanding as of Dec. 31, 2023	**100,460,280**	**15,311,749**	**28,073,777**	**24,000**	**102,056,784**

NOTE 24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of and changes in the accumulated other comprehensive income ("AOCI"), and the related tax effects, are shown below:

AS OF AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	Change in net unrealized investment gains (losses)	Change in discount rate for liability for future policyholder benefit liability	Change in instrument-specific credit risk for market risk benefit	Defined benefit pension plan adjustment	Foreign currency adjustment	Total
Balance as of January 1, 2021	**$ 50**	**$ —**	**$ —**	**$ —**	**$ 4**	**$ 54**
Opening adjustment	—	(134)	—	—	(1)	**(135)**
Other comprehensive income (loss) before reclassifications	(30)	97	(1)	—	(3)	**63**
Amounts reclassified to (from) net income	—	—	—	—	—	**—**
Deferred income tax benefit (expense)	16	(26)	—		—	**(10)**
Common control transaction adjustment	—	—	—	—	(5)	**(5)**
Balance as of December 31, 2021	**$ 36**	**$ (63)**	**$ (1)**	**$ —**	**$ (5)**	**$ (33)**
Other comprehensive income (loss) before reclassifications	(1,303)	751	—	—	(1)	**(553)**
Amounts reclassified to (from) net income	(21)	—	—	—	—	**(21)**
Deferred income tax benefit (expense)	271	(181)	(6)	—	—	**84**
Other	—	—	—	—	—	**—**
Balance as of December 31, 2022	**$ (1,017)**	**$ 507**	**$ (7)**	**$ —**	**$ (6)**	**$ (523)**
Other comprehensive income (loss) before reclassifications	616	(353)	(13)	108	15	**373**
Amounts reclassified to (from) net income	127	—	—	—	—	**127**
Deferred income tax benefit (expense)	(164)	85	5	(23)	—	**(97)**
Balance as of December 31, 2023	**$ (438)**	**$ 239**	**$ (15)**	**$ 85**	**$ 9**	**$ (120)**

NOTE 25. EARNINGS PER SHARE

The components of basic earnings per share are summarized in the following table:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	2023	2022	2021
Net income for the year	$ 797	$ 501	$ (112)
Dividends on Class A redeemable junior preferred shares	(116)	(68)	—
	$ 681	$ 433	$ (112)
Attributable to:			
Brookfield Corporation	—	—	(17)
Class A exchangeable, Class A-1 exchangeable and Class B shareholders	5	6	3
Class C shareholders	675	425	(98)
Non-controlling interests	1	2	—
Earnings per share per class C share – basic	$ 10.51	$ 13.75	$ (4.92)
Weighted average shares – Class C shares	64,215,726	30,919,577	19,903,823

NOTE 26. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties.

(a) Brookfield Reinsurance agreements

The Company has an outstanding equity commitment in the amount of $2.0 billion from Brookfield to fund future growth, which the Company may draw on from time to time. As of December 31, 2023 and 2022, there were no amounts drawn under the equity commitment.

The Company has a revolving credit facility with Brookfield under the Brookfield Credit Agreement. Refer to Note 21 for more details.

The following table reflects the related party agreements and transactions involving Brookfield included in the statements of operations:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
Credit agreement fees with Brookfield	$ —	$ —	$ —
Support agreement fees with Brookfield	—	—	—
Rights agreement fees to Brookfield	—	—	—
Administration fees with Brookfield	7.7	2.0	0.4
Investment management fees to Brookfield	64.0	40.0	4.0
Brookfield licensing agreement fees	—	—	—
Outsourcing fees paid to Brookfield	0.9	1.0	0.3
Outsourcing arrangements payable	—	0.7	0.5

(b) Other related party transactions

During the current year, the Company and its subsidiaries, in aggregate, purchased related party investments of $6.6 billion (2022 – $3.3 billion) of which $1.6 billion (2022 – nil) relates to a contributed investment associated with a Brookfield real estate private fund. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

The Company had $266 million of cash on deposit with wholly-owned subsidiaries of Brookfield as of December 31, 2023 (2022 – $779 million).

NOTE 27. SEGMENT REPORTING

The Company's operations are organized into three reporting segments: Direct Insurance, Reinsurance and PRT. These segments are regularly reviewed by the Company's chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and to assess its performance.

The key measure used by the CODM in assessing performance and in making resource allocation decisions is Distributable Operating Earnings ("DOE").

DOE is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies, non-operating adjustments related to changes in cash flow assumptions for future policy benefits and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and the Company's share of adjusted earnings from investments in certain associates. DOE allows the CODM to evaluate the Company's segments on the basis of return on invested capital generated by its operations and allows the Company to evaluate the performance of its segments.

The tables below provide each segment's results in the format that the CODM reviews its reporting segments to make decisions and assess performance.

FOR THE YEAR ENDED DEC. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 3,083	$ —	$ 1,467	**$ 4,550**
Other net investment income, including funds withheld	1,460	401	207	**2,068**
Segment revenues	4,543	401	1,674	**6,618**
Policyholder benefit, net	(2,339)	(29)	(1,603)	**(3,971)**
Other insurance and reinsurance expenses	(877)	(179)	(3)	**(1,059)**
Operating expenses excluding transactions costs	(637)	(22)	(22)	**(681)**
Interest expense	(103)	(16)	—	**(119)**
Current income tax expense	(11)	—	(3)	**(14)**
Segment DOE	**$ 576**	**$ 155**	**$ 43**	**774**
Depreciation expense				**(30)**
Deferred income tax expense				**(14)**
Transaction costs				**(40)**
Net investments gains and losses, including funds withheld				**348**
Unrealized mark to market within insurance contracts				**(180)**
Other corporate activities				**(61)**
Net Income				**$ 797**

FOR THE YEAR ENDED DEC. 31 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 1,456	$ —	$ 1,555	**$ 3,011**
Other net investment income, including funds withheld	717	277	120	**1,114**
Segment revenues	2,173	277	1,675	**4,125**
Policyholder benefits, net	(975)	(139)	(1,639)	**(2,753)**
Other insurance and reinsurance expenses	(413)	(78)	—	**(491)**
Operating expenses excluding transactions costs	(329)	(21)	(15)	**(365)**
Interest expense	(41)	—	—	**(41)**
Current income tax expense	(21)	—	—	**(21)**
Segment DOE	**$ 394**	**$ 39**	**$ 21**	**454**
Depreciation expense				**(13)**
Deferred income tax expense				**(10)**
Transaction costs				**(31)**
Net investment gains and losses, including funds withheld				**(26)**
Unrealized mark-to-market within insurance contracts				**127**
Net income				**$ 501**

FOR THE YEAR ENDED DEC. 31 2021 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums	$ —	$ —	$ 1,016	**$ 1,016**
Other net investment income, including funds withheld	—	22	—	**22**
Segment revenues	—	22	1,016	**1,038**
Policyholder benefit, net	—	7	(993)	**(986)**
Other insurance and reinsurance expenses	—	(9)	—	**(9)**
Operating expenses excluding transactions costs	—	(6)	(12)	**(18)**
Interest expense	—	(1)	—	**(1)**
Segment DOE	**$ —**	**$ 13**	**$ 11**	**24**
Depreciation expense				**—**
Deferred income tax expense				**(2)**
Transaction costs				**(8)**
Net investments gains and losses, including funds withheld				**(126)**
Net loss				**$ (112)**

Our Direct Insurance business involves direct origination of insurance policies including life, annuity, health and property and casualty products. Total premium revenues recorded within our Direct Insurance segment for the years ended December 31, 2023 and 2022 were primarily from transactions with U.S. retail customers. Prior to the acquisition of American National in May 2022, the Company had no Direct Insurance business. As stated in Note 16, the Company closed its acquisition of Argo in November 2023. Argo's operations are included in the Direct Insurance segment in their entirety.

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers. All existing reinsurance contracts are with U.S.-based insurance companies. Total premium revenues recorded within our Reinsurance segment for the years ended December 31, 2023, 2022 and 2021 were from transactions with two U.S. ceding companies.

Total premium revenues recorded within our PRT segment for the years ended December 31, 2023 and 2022 were from Canadian and U.S. counterparties. All premium revenues recorded within our PRT segment for the year ended December 31, 2021 were from Canadian counterparties.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, liabilities and common equity attributable to each segment.

AS OF DEC. 31, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets	$ 43,402	$ 10,711	$ 4,970	$ 2,560	**$ 61,643**
Liabilities	36,204	9,654	4,797	2,139	**52,794**
Equity and other	7,198	1,057	173	421	**8,849**

AS OF DEC. 31, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets	$ 29,541	$ 9,316	$ 3,420	$ 1,181	**$ 43,458**
Liabilities	25,786	7,644	3,216	2,547	**39,193**
Equity and other	3,755	1,672	204	(1,366)	**4,265**

AS OF DEC. 31, 2021 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	Other[1]	Total
Assets	$ —	$ 8,007	$ 2,487	$ 1,083	**$ 11,577**
Liabilities	—	6,890	2,356	986	**10,232**
Equity and other	—	1,117	131	97	**1,345**

1. Other represents assets, liabilities, mezzanine equity and equity attributable to other activities that do not constitute a segment.

AS OF DEC. 31 US$ MILLIONS	2023	2022
United States	**$ 3,928**	$ 1,696
Canada	**41**	66
Bermuda	**200**	8
Cayman Islands	**1,379**	174
Other	**76**	—
Total non-current assets	**$ 5,624**	$ 1,944

NOTE 28. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2023, subsidiaries of the Company had outstanding commitments to purchase, expand or improve real estate and to fund mortgage loans, private loans and investment funds of $5.4 billion (2022 – $2.8 billion).

In addition, the subsidiaries of the Company had outstanding letters of credit in the amount of $941 million as of December 31, 2023 (2022 – $54 million).

Certain of our subsidiaries lease insurance sales office space, technological equipment and automobiles. The remaining long-term lease commitments as of December 31, 2023 were approximately $14 million (2022 – $10 million) and are included in the Company's statements of financial position within "Other Liabilities".

Federal Home Loan Bank ("FHLB") Agreements

Certain of the Company's subsidiaries have access to the FHLB's financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of December 31, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $8 million (2022 – $14 million) and commercial mortgage loans of approximately $977 million (2022 – $1.3 billion) were on deposit with the FHLB as collateral for borrowing. As of December 31, 2023, the collateral provided borrowing capacity of approximately $646 million (2022 – $776 million). The deposited securities and commercial mortgage loans are included in the statements of financial position within "Available-for-sale fixed maturity securities" and "Mortgage loans on real estate", respectively.

Guarantees

Certain of the Company's subsidiaries guarantee bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, the Company would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. No amounts are outstanding as of December 31, 2023 as the cash values on the policies were withdrawn to pay off all the remaining premiums loans during the year. The total amount of the guarantees outstanding as of December 31, 2022 was approximately $121 million, while the total cash value of the related life insurance policies was approximately $143 million.

Litigation

Certain of the Company's subsidiaries are defendants in various lawsuits concerning alleged breaches of contracts, various employment matters, allegedly deceptive insurance sales and marketing practices, and miscellaneous other causes of action arising in the ordinary course of operations. Certain lawsuits include claims for compensatory and punitive damages. We provide accruals for these items to the extent we deem the losses probable and reasonably estimable. After reviewing these matters with legal counsel, based upon information presently available, management is of the opinion that the ultimate resultant liability, if any, would not have a material adverse effect on the statements of financial position, liquidity or results of operations; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future.

Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the economic damages incurred by plaintiffs in some jurisdictions, continues to create the potential for an unpredictable judgment in any given lawsuit. These lawsuits are in various stages of development, and future facts and circumstances could result in management changing its conclusions. It is possible that, if the defenses in these lawsuits are not successful, and the judgments are greater than management can anticipate, the resulting liability could have a material impact on the Company's financial position, liquidity, or results of operations. With respect to the existing litigation, management currently believes that the possibility of a material judgment adverse to the Company is remote. Accruals for losses are established whenever they are probable and reasonably estimable. If no one estimate within the range of possible losses is more probable than any other, an accrual is recorded based on the lowest amount of the range.

Brookfield Reinsurance Ltd.
Schedule II – Combined Condensed Financial Information of Registrant

Combined Condensed Statements of Financial Position (Parent Company Only)

AS OF DEC.31 US$ MILLIONS	2023	2022
Assets		
Cash and cash equivalents	$ —	$ —
Investments in subsidiaries	8,694	4,226
Due from related party	32	45
Total assets	8,726	4,271
Liability		
Accounts payable and accrued liabilities	1	2
Due to related party	22	12
Total liabilities	23	14
Mezzanine equity		
Preferred shares	2,694	2,580
Equity		
Share capital	5,184	1,890
Retained earnings	945	311
Accumulated other comprehensive income (loss)	(120)	(524)
Total equity	6,009	1,677
Total liabilities, mezzanine equity and equity	$ 8,726	$ 4,271

Combined Condensed Statements of Comprehensive Income (Loss) (Parent Company Only)

FOR THE YEARS ENDED DEC.31 US$ MILLIONS	2023	2022	2021
Income (loss) of equity method investments	$ 806	$ 507	$ (109)
Operating expenses	(10)	(8)	(3)
Interest expense	—	—	—
Net income (loss)	796	499	(112)
Other comprehensive income (loss)	$ 403	$ (446)	$ 53
Comprehensive income (loss)	$ 1,199	$ 53	$ (59)

The accompanying notes are an integral part of the combined condensed financial information.

Brookfield Reinsurance Ltd.
Schedule II – Combined Condensed Financial Information of Registrant

Combined Condensed Statements of Cash Flows (Parent Company Only)

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Operating activities			
Net income (loss)	**$ 796**	$ 499	$ (112)
Non-cash items affecting net income:			
Equity in undistributed earnings of subsidiaries	**(806)**	(565)	41
Changes in non-cash balances related to operations:			
Changes in working capital	**(22)**	32	5
Cash flows from operating activities	**(32)**	(34)	(66)
Investing activities			
Investments in shares of subsidiaries	**42**	(2,894)	(1,407)
Cash flows from investing activities	**42**	(2,894)	(1,407)
Financing activities			
Issuance of common stock	**—**	450	1,501
Issuance of preferred stock	**—**	2,512	—
Distributions	**(10)**	(59)	(3)
Cash flows from financing activities	**(10)**	2,903	1,498
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	**—**	25	—
Net change during the year	**—**	(25)	25
Cash and cash equivalents, end of year	**$ —**	$ —	$ 25

The accompanying notes are an integral part of the combined condensed financial information.

Brookfield Reinsurance Ltd.
Schedule II – Combined Condensed Financial Information of Registrant

Notes to the Combined Condensed Financial Information of Registrant (Parent Company Only)

NOTE 1. BASIS OF PRESENTATION

These combined condensed financial statements of Brookfield Reinsurance Ltd. (the "Parent Company") should be read in conjunction with the combined consolidated financial statements of the Parent Company and its subsidiaries.

All operating activities of the Parent Company are conducted by its operating subsidiaries, North End Re Ltd., North End Re (Cayman) SPC, Brookfield Annuity Company, American National Group, LLC and Argo Group International Holdings, Inc. The Parent Company holds a direct 100% ownership interest in BAM Re Holdings Ltd., which holds the Parent Company's interest in its operating subsidiaries. The Parent Company is a holding company that does not conduct any substantive business operations and does not have any assets other than cash and cash equivalents, investments in its subsidiaries and due from related party. The operating subsidiaries are regulated insurance companies and therefore have restrictions on the ability to pay dividends, loan funds and make other upstream distributions to the Parent Company without prior approval by local regulators.

For the purposes of these combined condensed financial statements, the Parent Company's wholly owned subsidiaries are presented under the equity method of accounting. Under this method, the assets and liabilities of subsidiaries are not consolidated. The investments in subsidiaries are recorded on the combined condensed statements of financial position. The earnings of its subsidiaries are reported on a net basis as income (loss) of equity method investments on the combined condensed statements of comprehensive income (loss).

The comparatives include the financial information of Brookfield Annuity Holdings Inc. ("BAH"), the predecessor of our Parent Company for financial reporting purposes, through June 2021.

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

NOTE 2. COMMITMENTS AND CONTINGENCIES

The Parent Company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on third-party credit facilities is $750 million, on which $430 million was drawn as of December 31, 2023 (2022 – $500 million and $356 million, respectively).

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

Brookfield Reinsurance Ltd.
Schedule III – Supplementary Insurance Information

AS OF AND FOR THE YEARS ENDED DEC. 31
US$ MILLIONS

Segment	DAC, including VOBA	FPB, PAB, deposit liabilities, MRB, policy and contract claims	Unearned premiums	Other policy claims and benefits payable	Premium revenue	Net investment income	Policyholder benefits and claims incurred and interest sensitive contract benefits	Amortization of DAC and VOBA	Other operating expenses	Net premiums written
2023										
Direct Insurance	$ 1,095	$ 29,531	$ 2,056	$ 455	$ 2,670	$ 1,321	$ 2,950	$ 557	$ 1,526	$ 2,209
Reinsurance	1,373	9,394	—	—	—	72	468	75	141	—
Pension Risk Transfer	—	4,781	—	29	1,467	201	1,618	—	30	—
Other	—	—	—	—	—	215	—	—	215	—
Total	**$ 2,468**	**$ 43,706**	**$ 2,056**	**$ 484**	**$ 4,137**	**$ 1,809**	**$ 5,036**	**$ 632**	**$ 1,912**	**$ 2,209**
2022										
Direct Insurance	$ 658	$ 21,008	$ 1,086	$ 436	$ 1,456	$ 687	$ 1,344	$ 322	$ 808	$ 1,200
Reinsurance	927	7,560	—	—	—	118	202	49	101	—
Pension Risk Transfer	—	3,151	—	—	1,555	119	1,663	—	18	—
Other	—	—	—	—	—	54	—	—	107	—
Total	**$ 1,585**	**$ 31,719**	**$ 1,086**	**$ 436**	**$ 3,011**	**$ 978**	**$ 3,209**	**$ 371**	**$ 1,034**	**$ 1,200**
2021										
Reinsurance	$ 710	$ 6,427	$ —	$ —	$ —	$ 8	$ 60	$ 10	$ 21	$ —
Pension Risk Transfer	—	2,330	—	—	1,016	55	1,065	—	12	—
Other	—	—	—	—	—	13	—	—	14	—
Total	**$ 710**	**$ 8,757**	**$ —**	**$ —**	**$ 1,016**	**$ 76**	**$ 1,125**	**$ 10**	**$ 47**	**$ —**

Brookfield Reinsurance Ltd.
Schedule IV – Reinsurance

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS, EXCEPT FOR PERCENTAGES	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
2023					
Life insurance in-force	$ 145,671	$ 23,081	$ 120	$ 122,710	0.1 %
Premiums earned					
Life and annuity	1,996	177	76	1,895	4.0 %
Health	163	226	150	87	172.4 %
Property and casualty	2,427	890	618	2,155	28.7 %
	$ 4,586	**$ 1,293**	**$ 844**	**$ 4,137**	**20.4 %**
2022					
Life insurance in-force	$ 146,055	$ 22,146	$ 222	$ 124,131	0.2 %
Premiums earned					
Life and annuity	1,912	89	3	1,826	0.2 %
Health	98	184	162	76	213.2 %
Property and casualty	1,444	378	43	1,109	3.9 %
	$ 3,454	**$ 651**	**$ 208**	**$ 3,011**	**6.9 %**
2021					
Life insurance in-force	$ 2,330	$ 162	$ —	$ 2,168	— %
Premiums earned					
Life and annuity	1,017	1	—	1,016	— %
	$ 1,017	**$ 1**	**$ —**	**$ 1,016**	**— %**

Brookfield Reinsurance Ltd.
Schedule VI – Supplemental Information Concerning Property-Casualty Insurance Operations

AS OF AND FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	2023	2022	2021
DAC	**$ 329**	$ 185	$ —
Reserves for unpaid claims and claim adjustment expenses	**6,829**	1,366	—
Amount of discount in reserves for unpaid claims and claim adjustment expenses	**21**	—	—
Unearned premiums	**2,161**	1,190	—
Earned premiums	**2,155**	1,109	—
Net investment income	**116**	47	—
Claims and claim adjustment expenses incurred relating to:			
Current year	**1,610**	782	—
Prior years	**(51)**	(25)	—
Amortization of DAC	**483**	270	—
Paid claims and claim adjustment expenses	**1,497**	708	—
Gross premiums written	**2,420**	1,224	—

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management's discussion and analysis ("MD&A") covers the financial position as of December 31, 2023 and 2022 and the results of operations for the years ended December 31, 2023, 2022 and 2021. Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "Company" means Brookfield Reinsurance Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Corporation, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Forward-Looking Information" within this MD&A.

The information in this MD&A should be read in conjunction with the Combined Consolidated Financial Statements ("the financial statements") prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021.

Overview of Our Business

Our Company is an exempted company limited by shares incorporated under the laws of Bermuda on December 10, 2020. The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. ("BAM Re Holdings"), which holds the Company's interest in its operating subsidiaries, North End Re Ltd. ("NER Ltd."), North End Re (Cayman) SPC ("NER SPC"), Brookfield Annuity Company ("BAC"), American National Group, LLC ("American National") and Argo Group International Holdings, Inc. ("Argo").

Our Company operates a leading capital solutions business providing insurance and reinsurance services to individuals and institutions. Through its operating subsidiaries, our Company offers a broad range of insurance products and services, including life insurance and annuities, and personal and commercial property and casualty ("P&C") insurance. Our business is presently conducted through our subsidiaries under three operating segments, which we refer to as our Direct Insurance, Reinsurance and Pension Risk Transfer ("PRT") businesses. The principal operating entities of the Company generally maintain their own independent management and infrastructure. Refer to the "Lines of Business" section of the MD&A for further details on our operating segments' businesses.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as well as the internal control over financial reporting as of December 31, 2023. Based on the evaluation conducted, it was concluded that our disclosure controls and procedures as well as our internal control over financial reporting were effective as of December 31, 2023.

Key Financial Data

The following table presents key financial data of the Company:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Total assets	**$ 61,643**	$ 43,458	$ 11,577
Net income (loss)	**797**	501	(112)
Adjusted Equity[1]	**8,969**	4,788	1,378
Distributable Operating Earnings[1,2]	**745**	388	30

1. Distributable Operating Earnings and Adjusted Equity are Non-GAAP measures. See "Reconciliation of Non-GAAP Measures".
2. Distributable Operating Earnings for the year ended December 31, 2023 is inclusive of net costs of $29 million relating to corporate activities outside of our three operating segments (2022 – net costs of $66 million; 2021 – net gains of $6 million).

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the years ended December 31, 2023, 2022 and 2021:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS		**2023**		2022		2021
Net premiums	**$**	**4,137**	$	3,011	$	1,016
Other policy revenue		**413**		224		—
Net investment income		**1,809**		978		76
Investment related gains (losses)		**534**		(185)		(55)
Net investment results from funds withheld		**127**		281		4
Total revenues		**7,020**		4,309		1,041
Policyholder benefits and claims incurred		**(3,939)**		(2,852)		(1,065)
Interest sensitive contract benefits		**(1,097)**		(357)		(60)
Commissions for acquiring and servicing policies		**(755)**		(413)		—
Net change in deferred policy acquisition costs		**670**		339		30
Change in fair value of market risk benefit		**72**		127		(12)
Other reinsurance expenses		**(107)**		(78)		(11)
Operating expenses		**(801)**		(439)		(35)
Interest expense		**(249)**		(104)		(1)
Total benefits and expenses		**(6,206)**		(3,777)		(1,154)
Net income (loss) before income taxes		**814**		532		(113)
Income tax recovery (expense)		**(17)**		(31)		1
Net income (loss) for the year		**797**		501		(112)
Less: non-controlling interests		**(1)**		(2)		—
Net income (loss) attributable to shareholders[1]	**$**	**796**	$	499	$	(112)

1. Net income (loss) attributable to Brookfield Corporation for the period prior to June 28, 2021 and to Class A, Class A-1, Class B and Class C shareholders for the periods June 28, 2021 onward.

2023 vs. 2022

For the year ended December 31, 2023, we reported net income of $797 million, compared to net income of $501 million in the prior year. The increase of $296 million is primarily due to growth in the business and redeployment of capital into higher yielding investments. We also benefited from the contribution by American National of full year earnings, as opposed to their partial year earnings in 2022, following the acquisition on May 25, 2022.

Net premiums and other policy revenue were $4.6 billion in the year of 2023, compared to $3.2 billion in 2022. The increase of $1.4 billion is primarily due to a higher number of PRT deals closed in 2023 including our first year of sales within our US business, which contributed $1.0 billion of gross premiums.

Net investment income increased by $831 million for the year ended December 31, 2023, relative to the prior year. Net investment income is comprised of interest and dividends received on financial instruments, equity investments and other miscellaneous fee income. The increase in 2023 was driven by the growth in our investment portfolio and the rotation into higher yielding investment strategies.

We recorded $534 million of investment related gains in 2023, an increase of $719 million over the prior year, which recognized a $185 million loss. The increase is primarily due to mark-to-market gains on equity securities of $372 million and short term investments of $262 million.

Net investment results from funds withheld decreased by $154 million in the current year compared to 2022. This decline is primarily driven by mark-to-market losses on the embedded derivatives in our Modco reinsurance treaties.

Interest sensitive contract benefits represent interest credited to policyholders' account balances from our investment contracts with customers, as well as amortization of deferred revenue. Commissions for acquiring and servicing policies represent any sales commission payments or incremental costs of obtaining the contract that are amortized over the contract term subsequent to initial capitalization. During the year, the amounts increased by $1.1 billion in aggregate, driven mainly by higher sales, as well as growth in the business and higher interest credited.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on the protection to the policyholder from capital market risk. The gain of $72 million in the current year is primarily due to movements in interest rates used in the valuation of these liabilities.

Operating expenses were $801 million in the year of 2023, compared to $439 million in the prior year, an increase of $362 million. The increase was primarily driven by the full year contribution of expenses from American National, as well as additional costs incurred to support the continued growth of our business.

The increase of $145 million of interest expense on borrowings from prior year is mainly due to recognizing full-year interest on acquisition financing issued at American National, as well as higher interest rates and increased borrowings on our warehoused investments credit facility.

During the year, Distributable Operating Earnings ("DOE") increased by $357 million to $745 million. The increase was mainly due to new business, higher spread earnings, contribution from Argo, which was recently acquired, and a full year of contribution from American National.

2022 vs. 2021

For the year ended December 31, 2022, we reported net income of $501 million, compared to a net loss in the prior year of $112 million. A gain of $613 million.

Net premiums and other policy revenue of $3.2 billion increased by $2.2 billion for the year ended December 31, 2022, relative to 2021. In 2022, the Company closed 28 PRT deals, representing $1.6 billion of premiums (2021 – 26 deals, $1.1 billion premiums). We recorded $1.7 billion of premiums and other policy revenues related to American National, for the period following the close of the acquisition on May 25, 2022.

Net investment income increased by $902 million for the year 2022, relative to the year 2021. Interest and dividends received increased as a result of the growth in our investment portfolio and capital redeployed within then closed transactions, as well as rising interest rates. Across each of our business segments, we deployed the capital from transactions closed during the year into accretive, higher yielding investments, driving a step up in our net investment spreads. In 2022, across our segments, we redeployed approximately $7 billion of existing assets (2021 – $5 billion).

The Company incurred investment related losses of $185 million in 2022, compared to $55 million in 2021. The increase of $130 million was mainly as a result of higher realized losses on fixed maturity securities sold to reinvest into more accretive opportunities, as well as increases in the allowance of credit loss on our loan portfolio. The losses were partially offset by gains from growth in the investment portfolio and capital redeployment, as well as realized gains on the unwind of corporate hedges, which totaled $108 million in the year.

Net investment results from funds withheld recognized a gain of $281 million in 2022, compared to a gain of $4 million in 2021. The increase of $277 million is primarily attributable to interest income of $170 million, as well as unrealized net investment gains of $138 million related to embedded derivatives.

Policyholder benefits and claims incurred increased by $1.8 billion for the year ended December 31, 2022, relative to 2021. The increase is due to American National, representing $1.2 billion of the amount, as well as an increase from prior year within our Reinsurance and PRT businesses as a result of the two reinsurance transactions that closed in the third and fourth quarters of 2021 and an increase in annuitants in-pay in new PRT business since the prior year.

For the year ended December 31, 2022, interest sensitive contract benefits and commissions for acquiring and servicing policies increased relative to the prior year period by $297 million and $413 million, respectively, a result of the acquisition of American National.

The change in deferred acquisition costs increased by $309 million compared to the same period in 2021, as a result of amortization of capitalized reinsurance costs associated with flow business within our Reinsurance segment, as well as new business written at American National for the period from May 25, 2022 to December 31, 2022.

The gain in change in fair value of market risk benefit of $127 million in 2022 was primarily due to change in interest rate used in the valuation of these liabilities.

Other reinsurance expenses, which includes ceding commissions and sales inducements, increased by $67 million in 2022 compared to 2021 due to a full year of contribution from aforementioned reinsurance transactions in late 2021, resulting in additional reinsurance related expenses settled during the period.

Operating expenses increased by $139 million in 2022 compared to the same period in 2021, primarily driven by the inclusion of seven months of expenses from American National representing $334 million, and as a result of additional personnel, professional services and transaction expenses related to the growth of our business. Operating expenses in 2022 included $31 million of transaction related expenses (2021 – $8 million).

Interest expense on borrowings increased by $103 million during the year primarily as a result of interest on subsidiary borrowings, representing $1.5 billion of acquisition financing issued at American National, as well as corporate borrowings used to temporarily warehouse investments that will be moved into our insurance companies' investment portfolios.

During the 2022, DOE increased from $30 million to $388 million compared to 2021. The increase of $358 million was driven by contributions from American National, as well as increased net investment income on our corporate investments, contributions from our investment in AEL Holdings and new business and spread earnings within our PRT and Reinsurance businesses as we made progress redeploying the investments within the portfolios.

CONSOLIDATED FINANCIAL POSITION

Comparison as of December 31, 2023 and 2022

The following table summarizes the financial position as of December 31, 2023 and 2022:

AS OF DEC. 31 US$ MILLIONS, EXCEPT SHARE DATA	2023	2022
Assets		
Investments	$ 39,838	$ 30,295
Cash and cash equivalents	4,308	2,145
Reinsurance funds withheld	7,248	5,812
Accrued investment income	280	341
Deferred policy acquisition costs	2,468	1,585
Premiums due and other receivables	711	436
Ceded unearned premiums	401	47
Deferred tax asset	432	490
Reinsurance recoverables	3,388	589
Property and equipment	294	194
Goodwill	121	121
Intangible assets	235	52
Other assets	730	306
Separate account assets	1,189	1,045
Total assets	61,643	43,458
Liabilities		
Future policy benefits	9,813	8,011
Policyholders' account balances	24,939	20,141
Policy and contract claims	7,288	1,786
Deposit liabilities	1,577	1,657
Market risk benefit	89	124
Unearned premium reserve	2,056	1,086
Due to related parties	564	241
Other policyholder funds	335	322
Notes payable	174	151
Corporate borrowings	1,706	2,160
Subsidiary borrowings	1,863	1,492
Liabilities issued to reinsurance entities	114	151
Other liabilities	1,087	826
Separate account liabilities	1,189	1,045
Total liabilities	52,794	39,193
Mezzanine equity		
Redeemable junior preferred shares	2,694	2,580
Equity		
Class A exchangeable, Class A-1 exchangeable, Class B and Class C	5,184	1,890
Retained earnings	945	310
Accumulated other comprehensive loss, net of taxes	(120)	(523)
Non-controlling interests	146	8
Total equity	6,155	1,685
Total liabilities, mezzanine equity and equity	$ 61,643	$ 43,458

December 31, 2023 vs. 2022

Total assets increased by $18.2 billion during the year to $61.6 billion. The increase included $8.5 billion related to assets of Argo, as well as approximately $8 billion of additional annuity sales from our retail annuity and PRT platforms and our existing reinsurance treaties during the year.

Cash and cash equivalents increased by $2.2 billion from 2022 to 2023, which includes $713 million relating to the acquisition of Argo. We continue to maintain a strong liquidity position across our segments. For further information, refer to "Liquidity and Capital Resources" section of the MD&A and our Consolidated Statements of Cash Flows.

Total investments increased by $9.5 billion compared to 2022, which includes $3.5 billion of assets assumed as part of the Argo acquisition, $2.1 billion of real estate and other assets contributed from Brookfield Corporation in exchange for Class C shares during the year, $1.1 billion of Brookfield Corporation shares tendered and retained through the share exchange offer closed in November 2023, as well as capital deployed from new business wins in the year. For the details of the share exchange offer, refer to Note 23, "Share Capital" in the financial statements.

Deferred policy acquisition costs ("DAC") are capitalized costs directly related to writing new policyholder contracts and include the value of business acquired ("VOBA") intangible assets. During the year, the balance increased by $883 million primarily driven by new business wins contributing $1.3 billion of DAC assets coupled with the Argo acquisition contributing $176 million of VOBA, offset by $632 million of amortization of DAC recorded during the year.

Reinsurance funds withheld increased by $1.4 billion over the year, primarily as a result of flow reinsurance premiums received in the current year, partially offset by a decrease in mark-to-market valuations of the embedded derivatives related to reinsurance funds withheld assets.

Reinsurance recoverables are estimated amounts due to the Company from reinsurers or cedants, related to paid and unpaid ceded benefits, claims and expenses and are presented net of reserves for collectability. The amount increased by $2.8 billion in the year primarily due to the acquisition of Argo.

Ceded unearned premiums represent a portion of unearned premiums ceded to reinsurers. The balance in the current year is primarily driven by the acquisition of Argo.

Intangible assets increased by $183 million at the end of the year, primarily due to the acquisition of Argo.

Other assets were $730 million at year end, increasing by $424 million from the prior year. The balance includes current tax asset, market risk benefit asset, prepaid pension assets, as well as other miscellaneous receivables, and includes $166 million as a result of the acquisition of Argo.

Separate account assets and liabilities both increased by $144 million year over year, mainly due to net realized gains of underlying assets of $170 million and policyholder deposits of $77 million, partially offset by $117 million of policyholder benefits and withdrawals.

Future policy benefits and policyholders' account balances increased by $6.6 billion during the year mainly driven by new premiums and interest sensitive contract benefits as the business continues to expand across our segments.

Policy and contract claims increased by $5.5 billion during the year mainly due to the acquisition of Argo.

Corporate and subsidiary borrowings remained largely consistent year over year at $3.6 billion and $3.7 billion in aggregate as of December 31, 2023 and 2022, respectively. During the year, the Company repaid $500 million of its 364-day secured facility, which was largely offset by $369 million non-recourse subsidiary borrowings assumed from Argo.

Junior preferred shares, issued to Brookfield in the prior year, increased by $114 million due to accrued dividends during the year.

SEGMENT REVIEW

The Company's operations are organized into three operating segments: Direct Insurance, Reinsurance, and PRT.

We measure operating performance primarily using DOE which measures our ability to acquire net insurance assets at a positive margin, and invest these assets at a return that is greater than the cost of policyholder liabilities.

Direct Insurance

The following table presents DOE of our Direct Insurance segment for the years ended December 31, 2023, 2022 and 2021:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
DOE	**$ 576**	$ 394	$ —

Comparison of the years ended December 31, 2023, 2022 and 2021

Our Direct Insurance segment was formed following the acquisition of American National in May 2022 and further expanded with our acquisition of Argo, which closed in November 2023. DOE within our Direct Insurance business represents contribution from our direct origination annuity, life and P&C businesses operated by American National as well as P&C business operated by Argo.

DOE from our life and annuity business increased by $244 million, compared to the prior year, due mainly to strong annuity sales by American National during the year, increasing our Direct Insurance investment portfolio, and increased investment income from our continued deployment into higher yielding investment strategies. The increase from our life and annuity business was partially offset by our P&C results which were impacted by a higher catastrophe loss experience during the year.

DOE related to our Direct Insurance business also includes financing costs associated with subsidiary borrowings and corporate overhead directly related to the segment.

Reinsurance

The following table presents DOE of our Reinsurance segment for the years ended December 31, 2023, 2022 and 2021:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
DOE	**$ 155**	$ 39	$ 13

Comparison of the years ended December 31, 2023, 2022 and 2021

DOE within our Reinsurance business increased to $155 million for the current year, compared to $39 million for the prior year. The increase is primarily driven by interest income and our continued deployment of capital during the year. Under our reinsurance treaty with AEL, we recorded total premiums of over $7.5 billion to date.

Increase in DOE from 2022 to 2021 is mainly attributable to the effect of these reinsurance transactions in force throughout the entire year of 2022, along with deployment of capital increasing our net investment yield.

Pension Risk Transfer

The following table presents DOE of our PRT segment for the years ended December 31, 2023, 2022 and 2021:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
DOE	**$ 43**	$ 21	$ 11

Comparison of the years ended December 31, 2023, 2022 and 2021

During the year, the Company closed 33 PRT deals in the Canadian market (2022 – 27 deals; 2021 – 26 deals) and 36 PRT deals in the US market (2022 – 1; 2021 – nil), representing in aggregate $1.5 billion of premiums (2022 – $1.6 billion; 2021 – $1.1 billion). The increase in DOE from the prior year was primarily a result of higher investment income due to capital deployed into higher yielding investments, as well as new business wins during the year.

Lines of Business

Direct Insurance

Our Direct Insurance business is operated primarily through American National and Argo. American National offers life insurance, annuities, credit insurance, pension products and P&C insurance for personal lines, agribusiness and certain commercial exposures, whereas Argo offers P&C coverages. Our primary insurance products and coverages are as follows:

Life Insurance

Whole Life – Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract, to a specified age or a fixed number of years, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes some policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender, or reduce the premiums required to maintain the contract in-force.

Universal Life – Universal life insurance products provide coverage through a contract that gives the policyholder flexibility in premium payments and coverage amounts. Universal life products may allow the policyholder, within certain limits, to increase or decrease the amount of death benefit coverage over the term of the contract and to adjust the frequency and amount of premium payments. Universal life products are interest rate sensitive, and we determine the interest crediting rates during the contract period, subject to policy specific minimums. An equity-indexed universal life product is credited with interest using a return that is based, in part, on changes in an index, such as the Standard & Poor's 500 Index ("S&P 500"), subject to a specified minimum.

Variable Universal Life – Variable universal life products provide insurance coverage on a similar basis as universal life, except that the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the securities selected by the policyholder held in the separate account.

Credit Life Insurance – Credit life insurance products are sold in connection with a loan or other credit account. Credit life insurance products are designed to pay the lender the borrower's remaining debt on a loan or credit account if the borrower dies during the coverage period.

Annuities

Deferred Annuities – A deferred annuity is an asset accumulation product. Deposits are received as a single premium deferred annuity or in a series of payments for a flexible premium deferred annuity. Deposits are credited with interest at our determined rates subject to policy minimums. For certain limited periods of time, usually from one to ten years, interest rates are guaranteed not to change. Deferred annuities usually have surrender charges that begin at issue and reduce over time and may have market value adjustments that can increase or decrease any surrender value. An equity-indexed deferred annuity is credited with interest using a return that is based, in part, on changes in an index, such as the S&P 500, subject to a specified minimum.

Single Premium Immediate Annuities – A single premium immediate annuity ("SPIA") is purchased with one premium payment, providing periodic (usually monthly or annual) payments to the annuitant for a specified period, such as for the remainder of the annuitant's life. Return of the original deposit may or may not be guaranteed, depending on the terms of the annuity contract.

Variable Annuities – With a variable annuity, the policyholder bears the investment risk because the value of the policyholder's account balance varies with the investment experience of the separate account investment options selected by the policyholder. Our variable annuity products have no guaranteed minimum withdrawal benefits. This product accounts for less than 1% of our annuity business.

Property and Casualty

Liability – Liability lines include a broad range of primary and excess casualty products, such as specialty casualty, construction defect, general liability, commercial multi-peril, workers compensation, product liability, environmental liability and auto liability. Liability lines are generally considered long-tailed as it takes a relatively long period of time to finalize and resolve all claims from a given accident year. Some products have long claims reporting lags and/or longer time lags for payment of claims.

Professional – Professional lines provide both admitted and non-admitted policies for professional liability such as management liability (including directors and officers), transaction liability and errors and omissions liability. Professional lines are generally considered long-tailed as it takes a relatively long period of time to finalize and resolve all claims from a given year.

Property – Property lines offer policies protecting various types of personal and commercial properties from man-made and natural disasters, including property insurance for homeowners and renters, inland marine and auto physical damages. Property lines are considered short-tailed as claims are generally known quickly and resolved in a short period of time.

Specialty – Specialty lines include niche insurance coverages such as surety, animal mortality and ocean marine. Specialty lines are considered generally short-tailed as claims are typically known relatively quickly, although it may take a longer period of time to finalize and resolve all claims from a given year.

Reinsurance

Within our Reinsurance business, we are focused primarily on the reinsurance of annuity-based products and primarily seek to transact with direct insurers and other reinsurers.

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (i) transfer insurance risk off of a ceding company's balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite; (ii) stabilize a ceding company's operating results; (iii) assist the cedant in achieving applicable regulatory requirements; and (iv) optimize the overall financial strength and capital structure of the cedant.

Reinsurance may be structured as a block transaction, pursuant to which a reinsurer contractually assumes assets and liabilities associated with an in-force book of business, or as a flow arrangement, pursuant to which a reinsurer contractually agrees to assume assets and liabilities for future business.

We primarily seek to reinsure three types of annuity products: fixed annuities, fixed index annuities and payout annuities.

Fixed Annuities – A fixed annuity ("FA") is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate. Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities – A fixed index annuity ("FIA") is an insurance contract in which the policyholder makes one or more premium deposits that earn interest at a crediting rate based on a specified market index. Policyholders are entitled to recurring or lump sum payments for a specified period of time. FIAs provide policyholders with the ability to earn interest without significant downside risk to their principal balance. A market index tracks the performance of a specific group of stocks or other assets representing a particular segment of the market, or in some cases, an entire market. A policyholder's crediting rate in relation to a market index is based on the change in the relevant market index, subject to a pre-defined cap (a maximum rate that may be credited), spread (a credited rate determined by reducing a specific rate from the index return) and/or a participation rate (a credited rate equal to a percentage of the index return). Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities – A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time. Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our Reinsurance business through licensed operating companies, NER Ltd. and NER SPC. As of the date of this MD&A, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure blocks of U.S. fixed annuities and fixed indexed annuities.

Pension Risk Transfer

PRT is the transfer by a corporate sponsor of the risks, or some of the risks, associated with the sponsorship and administration of a pension plan, in particular, investment risk and longevity risk. Longevity risk represents the risk of an increase in life expectancy of plan beneficiaries. These risks can be transferred either to an insurer like us through a group annuity transaction, or to an individual through a lump-sum settlement payment. PRT using insurance typically involves a single premium group annuity contract that is issued to a pension plan by an insurer, permitting the corporate pension plan sponsor to discharge certain pension plan liabilities from its balance sheet.

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risks. In the U.S., a PRT insurance transaction may further be structured as either a general account annuity or a separate account annuity. A separate account annuity offers an added layer of protection and security to the annuitants as the assets supporting the pension liabilities are held in a separate account, insulated from an insurer's general account. Under GAAP, buy-out and buy-in annuities are accounted for without distinguishing one another, and separate account annuities are treated as general account products.

We seek to earn income on PRT group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is primarily operated in the U.S. and Canada. Our Canadian PRT business is operated through BAC, a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. Through American National, we also operate a U.S. PRT business, which became licensed during 2022 and successfully completed its first PRT transaction in December 2022.

Liquidity and Capital Resources

CAPITAL RESOURCES

We strive to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances within our operating subsidiaries and maintain payments to policyholders, as well as maintain distributions to our shareholders. Our principal sources of liquidity are cash flows from our operations, access to the Company's third-party credit facilities, and our credit facility and equity commitment with Brookfield. We proactively manage our liquidity position to meet liquidity needs and continue to develop relationships with lenders who provide borrowing capacity at competitive rates, while looking to minimize adverse impacts on investment returns. We look to structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if needed. Our corporate liquidity for the periods noted below consisted of the following:

AS OF DEC. 31 US$ MILLIONS	2023	2022
Cash and cash equivalents	$ 78	$ 784
Liquid financial assets	212	241
Undrawn credit facilities	720	544
Total Corporate Liquidity[1]	**$ 1,010**	$ 1,569

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. In June 2021, Brookfield provided to the Company an equity commitment in the amount of $2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of Class C shares or junior preferred shares. As of December 31, 2023 there was $2.0 billion of undrawn equity commitment available. In addition, in connection with the Spin-off, we entered into a credit agreement with Brookfield as the lender, providing a revolving $400 million credit facility. In addition, we have $750 million revolving credit facilities with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation is a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to secure attractive investment opportunities. In addition to a portfolio of highly liquid financial assets, our operating companies have additional access to liquidity from sources such as the Federal Home Loan Bank ("FHLB") within our Direct Insurance segment. As of December 31, 2023, the Company had no drawings and a total of $646 million undrawn commitment available related to this program.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As of December 31, 2023, the Company's total liquidity was $27.0 billion, which included $78 million of unrestricted cash and cash equivalents and $212 million of unrestricted liquid financial assets held by non-regulated corporate entities.

AS OF DEC. 31 US$ MILLIONS	2023	2022
Cash and cash equivalents	$ 4,308	$ 2,145
Liquid financial assets	21,927	17,769
Undrawn credit facilities	720	544
Total Liquidity[1]	**$ 26,955**	$ 20,458

1. See "Performance Measures used by Management".

Comparison of the years ended December 31, 2023, 2022 and 2021

The following table presents a summary of our cash flows and ending cash balances for the years ended December 31, 2023, 2022 and 2021:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Operating activities	**$ 1,507**	$ 644	$ 1,688
Investing activities	**(1,809)**	(4,878)	(3,971)
Financing activities	**2,465**	5,994	2,640
Cash and cash equivalents:			
Cash and cash equivalents, beginning of the year	**2,145**	393	35
Net change during the year	**2,163**	1,760	357
Foreign exchange on cash balances held in foreign currencies	**—**	(8)	1
Cash and cash equivalents, end of the year	**$ 4,308**	$ 2,145	$ 393

Operating Activities

2023 vs. 2022

For the year ended December 31, 2023, we generated $1.5 billion of cash from operating activities compared to $644 million during 2022, primarily due to growth in the business benefitting from the full year contribution by American National, as opposed to their partial year in 2022, as well as an increase in PRT deals written.

2022 vs. 2021

For the year ended December 31, 2022, we generated $644 million of cash from operating activities compared to $1.7 billion during 2021. The decrease was primarily attributable to the absence of the large block coinsurance treaty closed in 2021, which contributed $1.6 billion of net cash received on close of the transaction, partially offset by deferred acquisition costs on the reinsurance treaty.

Investing Activities

2023 vs. 2022

During 2023, we rotated our investment portfolio into higher yielding investment strategies as well as deployed funds into the acquisition of Argo. This resulted in net deployment of $1.8 billion of cash from investing activities, compared to net deployment of $4.9 billion in the prior year, including $4.1 billion relating to the acquisition of American National.

2022 vs. 2021

For the year ended December 31, 2022, we deployed $24 billion into new investments, including $4.1 billion relating to the acquisition of a 100% interest in American National, net of cash acquired, as well as $14 billion of redeployment into new investments within our insurance operating subsidiaries investment portfolios, which was primarily funded by the sales and maturities of liquid securities as we redeploy into higher yielding strategies. This resulted in net deployment of $4.9 billion of cash from investing activities in 2022, compared to $4.0 billion during the same period in 2021.

Financing Activities

2023 vs. 2022

For the year ended December 31, 2023, we received $2.5 billion of cash from financing activities, compared to $6.0 billion received in 2022. The proceeds in the current year period were mainly as a result of $2.6 billion net payments received on policyholders' account deposits, partially offset by the net repayment of $487 million on our borrowings.

2022 vs. 2021

For the year ended December 31, 2022, we generated $6.0 billion of cash from financing activities, compared to $2.6 billion generated in 2021. The cash generated in 2022 primarily relates to the issuance of shares ($3.0 billion) and acquisition financing ($1.5 billion) in connection with the purchase of American National, as well as $2.2 billion in additional borrowings to fund temporary corporate investments and $511 million of net payments received on policyholders' account deposits.

Financial Instruments

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies by the Company. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations;
- We utilize local currency debt financing to the extent possible; and
- We may utilize derivative contracts to the extent that natural hedges are insufficient.

As of December 31, 2023, our total equity was $6.2 billion and our Adjusted Equity was $9.0 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, A-1, B and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. Refer to discussion on Non-GAAP Measures.

Included in equity and Adjusted Equity was approximately $226 million invested in Canadian dollars. As of December 31, 2023, we had a notional $2.9 billion (December 31, 2022 – $2.8 billion) of foreign exchange forward contracts in place to hedge against foreign currency risk.

For additional information, see Note 9, "Derivative Instruments" of the financial statements.

Future Capital Obligations and Requirements

As of December 31, 2023, subsidiaries of the Company had outstanding investment commitments of $5.4 billion (2022 – $5.4 billion). The funded commitments are primarily recognized as mortgage loans, private loans, investment funds, real estate and other invested assets. For additional information, see Note 28, "Financial Commitments and Contingencies" of the financial statements.

The following is the maturity by year on corporate and subsidiary borrowings:

	Payments due by year						
AS OF DEC. 31, 2023 US$ MILLIONS	**Total**	Less than 1 year	1 - 2 years	2 -3 years	3 - 4 years	4 - 5 years	More than 5 years
Corporate borrowings	**$ 1,706**	1,276	—	—	—	430	—
Subsidiary borrowings	**$ 1,863**	—	—	—	1,000	—	863

	Payments due by year						
AS OF DEC. 31, 2022 US$ MILLIONS	**Total**	Less than 1 year	1 - 2 years	2 -3 years	3 - 4 years	4 - 5 years	More than 5 years
Corporate borrowings	**$ 2,160**	1,810	—	—	—	350	—
Subsidiary borrowings	**$ 1,492**	—	—	—	—	1,000	492

For additional information, see Note 21, "Corporate and Subsidiary Borrowings" of the financial statements.

Capital Management

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

The Company and its subsidiaries take 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, which is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company's risk appetite and Own Risk and Solvency Assessment ("ORSA"). Furthermore, additional stress techniques are used to evaluate the Company's capital adequacy under sustained adverse scenarios.

NER SPC, American National and Argo are required to follow Risk Based Capital ("RBC") requirements based on guidelines of the National Association of Insurance Commissioners ("NAIC"). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority ("BMA"). The Enhanced Capital Requirement ("ECR") is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of a company's business.

BAC is subject to Life Insurance Capital Adequacy Test ("LICAT") as determined by Office of the Superintendent of Financial Institutions ("OSFI"). The LICAT ratio compares the regulatory capital resources of an insurance company to its Base Solvency Buffer or required capital.

The Company has determined that it is in compliance with all capital requirements as of December 31, 2023 and 2022.

Brookfield Operating Results

An investment in the Class A and Class A-1 exchangeable shares of the Company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield's operating results for the years ended December 31, 2023, 2022 and 2021 is provided below:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Revenues	**$ 95,924**	$ 92,769	$ 75,731
Net income	**5,105**	5,195	12,388

Each exchangeable share has been structured with the intention of providing an economic return equivalent to one Brookfield Class A Share. We therefore expect that the market price of the exchangeable shares should be impacted by the market price of Brookfield Class A Shares and the business performance of Brookfield as a whole. In addition to carefully considering the disclosure made in this MD&A, you should carefully consider the disclosure made by Brookfield in its continuous disclosure filings. Copies of the Brookfield's continuous disclosure filings are available electronically on EDGAR on the SEC's website at www.sec.gov or on SEDAR+ at www.sedar.com.

Industry Trends and Factors Affecting Our Performance

As a financial services business providing capital based solutions to the insurance industry, we are affected by numerous factors, including global economic and financial market conditions. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business. We also monitor factors such as consumer spending, business investment, the volatility of capital markets, interest rates, unemployment and the risk of inflation or deflation, which affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products offered by our business. We believe the following current trends present significant opportunities for us to grow our business:

- **Financial market volatility and dislocations across asset classes favor insurers with diverse investment portfolios and access to alternative credit.** Insurers primarily invest in public market fixed income products and are exposed to public market valuations. Insurers with an ability to diversify investment portfolios to include alternative and private credit assets provide more favorable investment performance.

- **Many insurers are looking for ways to shift toward less asset-intensive insurance products.** Given the capital-intensive nature of life and annuity liabilities, many insurance companies with diversified exposure are looking to reduce their exposure to life and annuity products, including through reinsurance, in order to free up capital that they can deploy in support of less asset-intensive products and business lines.
- **Recent market conditions are exposing under-capitalized companies.** Some writers of annuity products are facing higher hedging costs amidst volatile markets, and changes in regulatory standards are increasing the transparency of liability valuations in the current low-rate environment. This has necessitated a need to raise or otherwise free up capital, and the reinsurance market offers writers of annuity products an opportunity to do so. We have access to capital and are able to provide capital support to these companies.
- **Public market valuations have compressed while capital needs have grown.** Insurers are trading at cyclical lows, and given the prevailing market environment, are looking to partner with organizations like ours that can provide solutions to address capital needs.

Market Risk

Our statements of financial position within our financial statements include substantial amounts of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, foreign currency exchange rates and credit risk. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Foreign Exchange Rate Risk

The Company's obligations under its insurance contracts are denominated in U.S. and Canadian dollars, but a portion of the assets supporting these liabilities are denominated in non-U.S. and non-Canadian dollars. We manage foreign exchange risk primarily using foreign exchange forwards. Our investment policy sets out the foreign currency exposure limits and types of derivatives permitted for hedging purposes.

Our net assets are subject to financial statement translation into U.S. dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income. Gains and losses from foreign currency transactions of the Company's invested assets are reported in "Investment related gains (losses)" or "Net investment results from funds withheld" in the statements of operations. Gains and losses from foreign currency transactions of the Company's insurance liabilities are reported in "Policyholder benefits and claims incurred" in the statements of operations.

Interest Rate Risk

Substantial and sustained increases or decreases in interest rates may cause certain market dislocations that could negatively impact our financial performance.

We manage interest rate risk through our asset liability management, which we refer to as ALM, the framework whereby the effective and key rate durations of the investment portfolio are closely matched to those of the insurance reserves. Within the context of the ALM framework, we use derivatives including interest rate swaps and futures to reduce market risk. For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The Company's exposure to the equity markets is managed by sector and individual security and is intended to track the S&P 500 with minor variations. The Company mitigates the equity risk by diversification of the investment portfolio.

The Company also has equity risk associated with the equity-indexed life and annuity products the Company issues and assumes. The Company has entered into derivative transactions, primarily over-the-counter equity call options, to hedge the exposure to equity-index changes.

Credit Risk

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

We manage exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in our investment policy.

Insurance Risk

The Company makes assumptions and estimates when assessing insurance and reinsurance risks, and significant deviations, particularly with regards to longevity and policyholder behavior, could adversely affect our business, financial condition, results of operations, liquidity and cash flows. All transaction terms are likely to be determined by qualitative and quantitative factors, including our estimates. If we reinsure a block of business, there can be no assurance that the transaction will achieve the results expected at the time of the block's acquisition. These transactions expose us to the risk that actual results materially differ from those estimates.

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten in our Direct Insurance and PRT segments, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements in our Reinsurance segment.

Legal Risk

In the future, we may be parties in actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by our subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations. We are also involved from time to time in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We believe that any liability that may arise as a result of other pending legal actions will not have a material effect on our financial statements.

Operational Risk

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

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

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

Critical Accounting Policy and Estimates

The preparation of the financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical judgments made by management and used in preparing the financial statements, are summarized below:

Credit loss allowances and impairments

Available-for-sale fixed maturity securities

For available-for-sale fixed maturity securities in an unrealized loss position, if the Company does not intend to sell the security or will not be required to sell the securities before recovery of its amortized cost basis, the Company evaluates whether the decline in fair value has resulted from credit loss or market factors.

In making this assessment, management first calculates the extent to which fair value is less than amortized cost, consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this qualitative assessment indicates that a credit loss may exist, the present value of projected future cash flows expected to be collected is compared to the amortized cost basis of the security. The net present value of the expected cash flows is calculated by discounting management's best estimate of expected cash flows at the effective interest rate implicit in the available-for-sale fixed maturity security when acquired.

If the present value of expected cash flows is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income in "Investment related gains (losses)" limited to the amount fair value is less than amortized cost. If the fair value is less than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists which is recorded in other comprehensive income (loss) for the difference between the fair value and the net present value of the expected cash flows.

Expected credit losses

The Company records an allowance for credit loss in earnings within "Investment related gains (losses)" in an amount that represents the portion of the amortized cost basis of mortgage and private loans that the Company does not expect to collect, resulting in the loans being presented at the net amount expected to be collected. In determining the Company's credit loss allowances, management applies significant judgment to estimate expected lifetime credit loss, including: (i) pooling loans that share similar risk characteristics, (ii) considering expected lifetime credit loss over the contractual term of its loans adjusted for expected prepayments and any extensions, and (iii) considering past events and current and forecasted economic conditions. The allowance is calculated quarterly for each loan type based on its unique inputs. The Company uses the discounted cash flow model to assess expected credit loss.

Mortgage loans – On an ongoing basis, mortgage loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality) and collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is probable) may be evaluated individually for credit loss. The allowance for credit losses for loans evaluated individually is established using the same methodologies for the overall portfolio except for collateral dependent loans.

The allowance for a collateral dependent loan, which is typically a mortgage loan, is established as the excess of amortized cost over the estimated fair value of the loan's underlying collateral, less selling cost when foreclosure is reasonably possible or probable. Accordingly, the change in the estimated fair value of collateral dependent loans is recorded as a change in the allowance for credit losses which is recorded on a quarterly basis as a charge or credit to earnings.

The Company's mortgage loans are primarily originated and are not purchased in the secondary market; as such, the mortgage loans would not generally be subject to purchased credit deteriorated considerations.

Private loans – For private loans, credit loss allowances are estimates of expected credit losses, established for loans upon origination or purchase, considering all relevant information available, including past events, current conditions, and reasonable and supportable forecasts over the life of the loans. The estimates of expected credit losses are developed using a quantitative probability of default and loss given default methodology, in which default assumptions reflect applicable agency credit ratings or, when such external credit ratings are not available, internally developed ratings. Loans are evaluated on a pooled basis when they share similar risk characteristics; otherwise, they are evaluated individually.

Reinsurance recoverables – In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, or when events or changes in circumstances indicate that its carrying amount may not be recoverable, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, consistent with credit loss guidance which requires recording an allowance for credit loss.

Premiums receivable – Premiums receivable are included in "Other assets" in the statements of financial position and are stated net of allowances for uncollectible premiums, including expected lifetime credit losses, both dispute and credit related. The allowance is based upon our ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. Credit risk is partially mitigated by our ability to cancel the policy if the policyholder does not pay the premium.

Reinsurance funds withheld are receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which the subsidiaries of the Company act as reinsurers. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by our subsidiaries. The assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, the subsidiaries would need to assert a claim on the assets supporting the reserve liabilities. However, the subsidiaries have the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The subsidiaries are subject to the investment performance and have all economic rights and obligations on the funds withheld assets, in a fashion similar to the invested assets held directly by the subsidiaries. The underlying agreements contain embedded derivatives. Derivatives embedded in reinsurance contracts which are not closely related to the host contract are separated and measured at fair value in the statements of financial position and presented within "Reinsurance funds withheld". Changes in the fair value are included in the "Net investment results from funds withheld" in the statements of operations, as discussed in Derivative Instruments (Note 9).

Deferred policy acquisition costs ("DAC") are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to successfully acquire insurance, reinsurance, and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses.

Insurance contracts are grouped into cohorts by contract type and issue year consistent with estimating the associated liability for future policy benefits. DAC is amortized on constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. DAC will be amortized over the bases on a straight-line basis, all of which provide a constant level representation of contract term.

Product(s)	Amortization base
Traditional life products	Nominal face amount
Life contingent payout annuities	Annualized benefit amount in force
Health products	Original annual premium
Fixed deferred annuities, fixed index annuities, variable annuities	Policy count
Universal life products	Initial face amount
Property and Casualty	Earned premium

The Company reviews and updates actuarial experience assumptions (such as mortality, surrenders, lapse and premium persistency) serving as inputs to the models that establish the expected life for DAC and other actuarial balances during the third quarter of each year, or more frequently if evidence suggests assumptions should be revised. The Company makes model refinements as necessary, and any changes resulting from these assumption updates are applied prospectively.

Amortization of DAC is included in the "Net change in deferred policy acquisition costs" on the statement of operations.

For short-duration contracts, DAC is grouped consistent with the manner in which insurance contracts are acquired, serviced, and measured for profitability and is reviewed for recoverability based on the profitability of the underlying insurance contracts. Investment income is anticipated in assessing the recoverability of DAC for short-duration contracts.

Prior to the adoption of LDTI, DAC was amortized with interest over gross profits or premiums with retrospective and prospective unlocking through the statements of operations. Actual and projected deferrals were included in the ratio of the value of deferrable expenses to the value of estimated gross profits. Additionally, DAC was subject to loss recognition testing with changes recognized in the statements of operations, while shadow DAC adjustments for unrealized gains and losses were recognized in the statements of comprehensive income.

Value of business acquired ("VOBA") is an intangible asset or liability resulting from a business combination that represents the difference between the policyholder liabilities measured in accordance with the acquiring company's accounting policies and the estimated fair value of the same acquired policyholder liabilities in-force at the acquisition date. VOBA can be either positive or negative. Positive VOBA is recorded as a component of DAC in the statements of financial position. Negative VOBA occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities, and is recorded in the "Future policy benefits" in the statements of financial position.

Future policy benefits ("FPB") is calculated as the present value of expected future policy benefits to be paid or on behalf of policyholders and certain related expenses, reduced by the present value of expected net premiums to be collected from policyholders. Principal assumptions used in the establishment of the FPB mortality, lapse, incidence, terminations, claim-related expenses and other contingent events are appropriate to the respective product type. The Company groups contracts into annual cohorts based on product type and contract inception date for the purposes of calculating the liability for future policy benefits.

The Company updates its estimate of cash flows over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. The Company reviews and updates cash flow assumptions at least annually, and at the same time every year by cohort or product. The Company also reviews more frequently and updates its cash flow assumptions during an interim period if evidence suggests cash flow assumptions should be revised. Assumption revisions will be reflected in the net premium ratio and FPB calculation in the quarter in which assumptions are revised. The change in the liability due to actual experience is recognized in "Policyholder benefits and claims incurred" in the statements of operations.

The change in FPB that is recognized in "Policyholder benefits and claims incurred" in the statement of operations is calculated using a locked-in discount rate. The Company measures the FPB at each reporting period using both the locked-in discount rate and the current discount rate curves. For contracts issued subsequent to the transition date of LDTI, the upper-medium grade discount rate used for interest accretion is locked in for the cohort and represents the original discount rate at the issue date of the underlying contracts. The FPB for all cohorts is remeasured to a current upper-medium grade discount rate at each reporting date through other comprehensive income. The Company generally interprets the original discount rate to be a rate comparable to that of a U.S. corporate single A rate that reflects the duration characteristics of the liability. The upper-medium grade discount rate is determined using observable market data, including published upper-medium grade discount curves. In situations where market data for an upper-medium grade discount curve is not available (e.g., in certain foreign jurisdictions), spreads are applied to adjust the available observable market data to an upper-medium grade discount curve. For certain long-tailed life insurance liabilities with expected future cash flows longer than the last observable tenor (30 years), the discount rate for future cash flows beyond 30 years will be held constant at the ultimate (30 years) observable forward rate.

Prior to the transition date of LDTI, a cohort level locked-in discount rate was developed to reflect the interest accretion rates that were locked in at the inception of the underlying contracts.

Should the present value of actual and future expected benefits less transition FPB balance exceed the present value of actual and future expected gross premiums, the net premium ratio will be capped at 100% and a gross premium FPB will be held. The immediate charge will be the amount by which the uncapped net premium ratio exceeds 100% times the present value of future expected gross premium. This assessment will be performed at the cohort level.

The Company periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies, guarantees and riders and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the statements of operations in the period in which the changes occur.

Prior to the transition date of LDTI, net premium liability was recognized with locked-in assumptions at issue with no retrospective unlocking. The assumptions included adverse deviation and incorporated discounts at the Company's expected earned rate less adverse deviation, with losses being recognized at an aggregate block level.

Deferred Profit Liability ("DPL")

For limited-payment products, gross premiums received in excess of net premiums are deferred at initial recognition as a DPL. Gross premiums are measured using assumptions consistent with those used in the measurement of the liability for future policy benefits, including discount rate, mortality, lapses and expenses.

The DPL is amortized and recognized as "Policyholder benefits and claims incurred" in the statements of operations in proportion to expected future benefit payments from annuity contracts. Interest is accreted on the balance of the DPL using the discount rate determined at contract issuance. The Company reviews and updates its estimate of cash flows from the DPL at the same time as the estimates of cash flows for the liability for future policy benefits. When cash flows are updated, the updated estimates are used to recalculate the DPL at contract issuance. The recalculated DPL as of the beginning of the current reporting period is compared to the carrying amount of the DPL as of the beginning of the current reporting period, and any difference is recognized as "Policyholder benefits and claims incurred" in the statements of operations.

DPL is recorded in future policy benefits and included as a reconciling item within the disaggregated rollforwards.

Prior to the adoption of LDTI, the Company evaluates the actual claims experience and expenses related to insurance contracts. These evaluations are compared to the initial estimates, and adjustments are made to the DPL to ensure it appropriately reflects the Company's obligations and the profitability of the contracts.

Policyholders' account balances ("PAB") represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed. Changes in the fair value of the embedded derivative are included in the "Interest sensitive contract benefits" in the statements of operations, as discussed in Derivative Instruments (Note 9).

Liabilities for unpaid claims and claim adjustment expenses ("CAE") are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and incurred but not reported claims ("IBNR") liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process. Liabilities for unpaid claims and claim adjustment expenses for health and property and casualty insurance are included in "Policy and contract claims" in the statements of financial position.

Deposit liability: Reinsurance agreements that do not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk are accounted for as deposits. At initial recognition, the funds withheld or deposit liability is measured based on consideration paid or received, less any explicitly identified premiums or fees to be retained by the insurer or reinsurer. Any commission paid is recorded as a contra-liability offsetting the deposit liability and amortized to expense over the life of the agreements. The amount of the funds withheld or liability and any balances receivable from or payable to the cedant will be adjusted at subsequent reporting dates with the effective yield on the deposit to reflect actual payments to date and expected future payments with a corresponding credit or charge to interest sensitive contract benefits.

Market risk benefits ("MRB"), which are contracts or contract features that provide protection to the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk, are measured at fair value, at the individual contract level. The periodic change in fair value is recognized in earnings with the exception of the periodic change in fair value related to the instrument-specific credit risk, which is recognized in other comprehensive income. The Company classifies the Lifetime Income Rider ("LIR") as an MRB. The LIR is a rider offering guaranteed minimum withdrawal benefits type benefits available on certain fixed indexed annuity products.

Total attributed fees will include explicit rider fees and will not be negative or exceed total contract fees and assessments collectible from the contract holder. There are only rider charges and surrender charges. Surrender charges will not be included in the fair value measurement, as surrender charges do not fund any future benefits. Cash flows are projected using risk-neutral scenarios generated by the Company.

The actuarial assumptions used in the MRB calculation are the Company's best estimate assumptions. Assumptions are adjusted to reflect fair value by applying a margin for non-hedgeable risk and an adjustment for own credit spread through the discount rate. The risk-free discount rate is the scenario specific US treasury rate.

Market risk benefits with positive values are recorded as “Other assets” and negative fair values are reported as “Market risk benefit” liabilities in the statements of financial position.

Prior to the adoption of LDTI, valuation methodologies varied depending on the type of guarantee with all the measurement impacts through the statements of operations.

Reinsurance assumed: NER Ltd. closed a retrocession agreement on September 3, 2021 with a third-party insurance company to reinsure multi-year guarantee fixed annuities.

NER Ltd. assumes insurance contracts under modified coinsurance arrangements (“Modco arrangements”). NER Ltd. generally has the right of offset on reinsurance contracts but has elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco arrangements are presented gross on the statements of financial position. Since this treaty does not transfer significant insurance risk, it is recorded on a deposit method of accounting.

NER SPC closed a retrocession agreement on October 8, 2021, with an insurance company to reinsure fixed indexed annuities.

NER SPC assumes insurance contracts under Modco arrangements and Coinsurance. Changes in the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in “Interest sensitive contract benefits” in the statements of operations. Expenses outside of account value, such as commissions and federal excise taxes, are included in “Other reinsurance expenses” in the statements of operations.

Participating insurance policies: for the majority of participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders’ share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders’ interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses).

For all other participating business, the allocation of dividends to participating policy owners is based upon a comparison of experienced rates of mortality, interest and expenses, as determined periodically for representative plans of insurance, issue ages and policy durations, with the corresponding rates assumed in the calculation of premiums.

It is included within “Other policyholder funds” in the statements of financial position.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-GAAP measures, including DOE, Adjusted Equity, Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the “Segment Review” and “Liquidity and Capital Resources” sections of this MD&A for further discussion on our performance and Non-GAAP measures for the years ended December 31, 2023, 2022 and 2021.

Non-GAAP Measures

We regularly monitor certain Non-GAAP measures that are used to evaluate our performance and analyze underlying business performance and trends. We use these measures to establish budgets and operational goals, manage our business and evaluate our performance. We also believe that these measures help investors compare our operating performance with our results in prior years. These Non-GAAP financial measures are provided as supplemental information to the financial measures presented in this MD&A that are calculated and presented in accordance with GAAP. These Non-GAAP measures are not comparable to GAAP and may not be comparable to similarly described Non-GAAP measures reported by other companies, including those within our industry. Consequently, our Non-GAAP measures should not be evaluated in isolation, but rather, should be considered together with the most directly comparable GAAP measure in our consolidated financial statements for the years presented. The Non-GAAP financial measures we present in this MD&A should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

Distributable Operating Earnings

We use Distributable Operating Earnings ("DOE") to assess operating results and the performance of our businesses. We define DOE as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies, non-operating adjustments related to changes in cash flow assumptions for future policy benefits and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and our share of adjusted earnings from our investments in certain associates. In 2023, the Company added clarification in the definition of DOE that non-operating adjustments related to changes in cash flow assumptions for future policy benefits are excluded from DOE.

DOE is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by GAAP. DOE is therefore unlikely to be comparable to similar measures presented by other issuers.

We believe our presentation of DOE is useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of DOE also provide investors enhanced comparability of our ongoing performance across years.

Adjusted Equity

Adjusted Equity represents the total economic equity of our Company through its Class A, A-1, B and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. We use Adjusted Equity to assess our return on our equity.

Total Corporate Liquidity and Total Liquidity

Corporate Liquidity is a measure of our liquidity position and includes cash and cash equivalents, undrawn revolving credit facilities and liquid financial assets held by non-regulated corporate entities. Total Liquidity includes liquidity within our regulated insurance entities.

The followings contain further details regarding our use of our Non-GAAP measures, as well as a reconciliation of net income and total equity to these measures:

Reconciliation of Non-GAAP Measures

The following table reconciles our net income to DOE:

FOR THE YEARS ENDED DEC. 31 US$ MILLIONS	**2023**	2022	2021
Net income	**$ 797**	$ 501	$ (112)
Net investment gains and losses, including funds withheld	**(348)**	104	25
Mark-to-market on insurance contracts and other net assets	**212**	(271)	134
Deferred income tax (recovery) expense	**14**	10	(25)
Transaction costs	**40**	31	8
Depreciation	**30**	13	—
DOE	**$ 745**	$ 388	$ 30

The following table reconciles our equity to Adjusted Equity:

AS OF DEC. 31 US$ MILLIONS	2023	2022	2021
Total equity	$ 6,155	$ 1,685	$ 1,345
Add:			
Accumulated other comprehensive loss	120	523	33
Junior Preferred Shares	2,694	2,580	—
Adjusted Equity	$ 8,969	$ 4,788	$ 1,378

Forward-Looking Information

In addition to historical information, this MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the Company and Brookfield's outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, distributions, plans and objectives of the Company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the Company, Brookfield's or the Canadian, U.S. or international markets is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

We caution that the factors that could cause our actual results to vary from our forward-looking statements described in this MD&A are not exhaustive. The forward-looking statements represent our views as of the date of this MD&A and should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our most recent annual report on Form 20-F and other risks and factors that are described therein.

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