

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

Introduction

This management's discussion and analysis ("MD&A") covers the financial position as of September 30, 2023 and December 31, 2022 and the results of operations for the three and nine months ended September 30, 2023, and 2022. Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "Company" means Brookfield Reinsurance Ltd. together with all of its subsidiaries and the term "Brookfield" means Brookfield Corporation, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

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

The information in this MD&A should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements ("the financial statements") as of September 30, 2023 and for the three and nine months ended September 30, 2023, and 2022 and the annual audited financial statements for the year ended December 31, 2022 that were filed on Form 6K with the SEC on June 28, 2023. Interim operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the entire year.

Overview of Our Business

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

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

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective. There was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The following financial data is derived from our financial statements that are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Non-GAAP measures used in this MD&A are reconciled to or calculated from such values. All dollar references, unless otherwise stated, are in U.S. Dollars.

Key Financial Data

The following table presents key financial data of the Company:

FOR THE PERIODS ENDED SEP. 30 US\$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	2023	2022
Total assets	\$ 51,177	\$ 41,068	\$ 51,177	\$ 41,068
Net income	77	139	344	320
Adjusted equity ¹	7,251	4,633	7,251	4,633
Distributable Operating Earnings ^{1,2}	182	159	487	218

1. Distributable operating earnings and adjusted equity are Non-GAAP measures. See "Reconciliation of Non-GAAP Measures".
2. Distributable operating earnings for the three and nine months ended September 30, 2023 is inclusive of net costs of \$6 million and \$59 million relating to corporate activities outside of our three operating segments, respectively (2022 – \$35 million and \$36 million, respectively).

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US\$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	2023	2022
Net premiums	\$ 913	\$ 962	\$ 2,812	\$ 2,272
Other policy revenue	106	96	306	127
Net investment income	442	394	1,282	645
Investment related gains (losses), net	(82)	(218)	104	(325)
Net investment results from funds withheld	71	142	189	215
Total revenues	1,450	1,376	4,693	2,934
Policyholder benefits and claims incurred	(870)	(849)	(2,745)	(2,102)
Interest sensitive contract benefits	(290)	(114)	(847)	(150)
Commissions for acquiring and servicing policies	(198)	(184)	(591)	(246)
Net change in deferred policy acquisition costs	316	149	678	187
Change in fair value of market risk benefit	(35)	45	(27)	112
Other reinsurance expenses	(54)	(45)	(91)	(59)
Operating expenses	(191)	(169)	(553)	(261)
Interest expense	(61)	(37)	(181)	(60)
Total benefits and expenses	(1,383)	(1,204)	(4,357)	(2,579)
Net income before income taxes	67	172	336	355
Income tax recovery (expense)	10	(33)	8	(35)
Net income for the period	\$ 77	\$ 139	\$ 344	\$ 320

Three Months Ended September 30, 2023 vs. 2022

For the three months ended September 30, 2023, we reported net income of \$77 million, compared to net income of \$139 million in the prior year quarter primarily due to higher investment income more than offset by changes in policyholder benefits and claims incurred, and higher interest sensitive contract benefits.

During the quarter, we originated over \$2 billion of new gross policies, which include new policies that are not considered premium revenues for the purposes of GAAP. Net premiums were \$913 million in the quarter, decreasing moderately compared to prior year quarter, as contributions from our acquisition of American National were offset by lower PRT premiums compared to the prior year quarter.

Net investment income was \$442 million in the quarter, compared to \$394 million in the prior year quarter, driven by increased spread earnings from growth in our investment portfolio and capital redeployed into higher yielding assets, particularly from available-for-sale fixed maturity securities and investment funds.

The Company had a net investment related loss of \$82 million in the quarter, compared to a loss of \$218 million in the prior year quarter, mainly driven by lower unrealized mark-to-market losses on equity securities of \$54 million in the current quarter, compared to \$123 million in the prior year quarter. The current year quarter also had lower losses by \$40 million on short-term investments and other invested assets, primarily due to a positive mark-to-market valuation on derivatives.

Net investment results from funds withheld was \$71 million in the quarter, compared to \$142 million in the prior year quarter. This decline is primarily driven by lower mark-to-market gains on the embedded derivatives within our modified coinsurance ("modco") reinsurance treaties as a result of changes in actuarial assumptions.

Interest sensitive contract benefits represent interest credited to policyholders' account balances from our investment contracts with customers. During the quarter, interest sensitive contract benefits increased by \$176 million primarily driven by new businesses entered in the quarter, as well as higher market rates, partially offset by amortization of deferred revenue. Increase in interest sensitive contract benefits related to new investment contracts has an offsetting impact to the net changes in deferred acquisition costs, which resulted in a change of \$167 million in the period.

Commissions for acquiring and servicing policies represent sales commission payments or incremental costs of obtaining the contract that are amortized over the contract term subsequent to the initial capitalization, which increased by \$14 million, mainly as a result of the increase in reserves since the prior year quarter.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on protection to the policyholder from capital market risk. The loss of \$35 million in the current quarter is primarily due to the change in interest rates used in the valuation of these liabilities.

Operating expenses were \$191 million in the current quarter compared to \$169 million in the prior year quarter, mainly as a result of continued growth of the business with higher additional personnel, professional services and transaction expenses.

The increase of \$24 million of interest expense on borrowings in the current quarter due to higher interest rates and borrowings on our warehoused investments credit facility.

Compared to the prior year quarter, Distributable Operating Earnings increased by \$23 million to \$182 million. The increase was driven by higher net investment income given the significant progress made over the last twelve months repositioning assets into higher yielding investment strategies, as well as an overall growth in our investment portfolio.

Nine Months Ended September 30, 2023 vs. 2022

For the nine months ended September 30, 2023, we reported net income of \$344 million, compared to net income of \$320 million in the prior year period primarily due to growth in the business, redeployment of capital into higher yielding investments and unrealized mark-to-market gains on investments and derivatives.

Net premiums were \$2.8 billion for the nine months ended, compared to \$2.3 billion in the same period in 2022, primarily due to higher sales and continued growth in the overall business.

Net investment income increased by \$637 million for the nine months ended September 30, 2023, relative to the same period in 2022, driven by the growth in our investment portfolio and capital redeployed into higher yielding assets, particularly from our available-for-sale fixed maturity securities and mortgage loans which generated \$626 million and \$229 million in the current period, respectively, compared to \$287 million and \$120 million, respectively, in the prior period.

Investment related gains (losses), net was a gain of \$104 million in the first nine months of 2023, compared to a loss of \$325 million in the prior year period, mainly due to unrealized mark-to-market movements on our equity securities of \$87 million gain in the current period compared to a loss of \$148 million in the prior period, as well as \$112 million gain in the current period compared to \$23 million loss in the prior year period from short-term investments and other invested assets.

Net investment results from funds withheld decreased by \$26 million in the current year period compared to the same period in 2022. This decline is primarily driven by lower mark-to-market gains on the embedded derivative in our modco reinsurance treaties as a result of changes in actuarial assumptions.

During the period, interest sensitive contract benefits and commissions for acquiring and servicing policies increased by \$697 million and \$345 million, respectively. The increases are driven by higher sales and an increase in policyholders' account balances, partly as a result of the growth in the business and the acquisition of American National in May 2022, which accounted for \$431 million (2022 - \$32 million) and \$591 million (2022 - \$245 million) of the total \$847 million interest sensitive contract benefits and \$591 million commissions for acquiring and servicing policies, respectively in the current period.

Change in fair value of market risk benefit represents the mark-to-market movements of our liability based on protection to the policyholder from capital market risk. The loss of \$27 million in the period is primarily due to movements in interest rates used in the valuation of these liabilities.

Operating expenses were \$553 million in the first nine months of 2023, compared to \$261 million in the prior year period, mainly as a result of the acquisition of American National, as well as additional personnel and professional services expenses related to the growth of our business.

The increase of \$121 million of interest expense on borrowings from prior year is primarily due to increased interest on subsidiary borrowings related to the acquisition of American National in May 2022.

During the period, Distributable Operating Earnings increased by \$269 million to \$487 million. The increase was primarily due to contributions from American National for the full nine month period in 2023, since the acquisition, and higher net investment income on our investments. DOE also benefited from new business and spread earnings within our PRT and Reinsurance businesses as we made progress redeploying the investments within the portfolios.

CONSOLIDATED FINANCIAL POSITION

Comparison as at September 30, 2023 and December 31, 2022

The following table summarizes the financial position as at September 30, 2023 and December 31, 2022:

AS AT		
US\$ MILLIONS, EXCEPT SHARE DATA	2023	2022
Assets		
Investments	\$ 34,264	\$ 30,295
Investments - reinsurance funds withheld	5,056	5,069
Cash and cash equivalents	3,448	2,145
Cash and cash equivalents - reinsurance funds withheld	2,120	743
Accrued investment income	352	341
Deferred policy acquisition costs	2,302	1,585
Premiums due and other receivables	501	436
Deferred tax asset	494	490
Reinsurance recoverables, net	456	589
Property and equipment, net of accumulated depreciation	164	194
Other assets	548	405
Assets held-for-sale	261	—
Goodwill	121	121
Separate account assets	1,090	1,045
Total assets	51,177	43,458
Future policy benefits	8,577	8,011
Policyholders' account balances	24,862	20,141
Policy and contract claims	1,704	1,786
Deposit liabilities	1,612	1,657
Market risk benefit	184	124
Unearned premium reserve	1,161	1,086
Due to related parties	634	241
Other policyholder funds	323	322
Notes payable	170	151
Corporate borrowings	1,243	2,160
Subsidiary borrowings	1,494	1,492
Liabilities issued to reinsurance entities	172	151
Liabilities held-for-sale	245	—
Other liabilities	900	826
Separate account liabilities	1,090	1,045
Total liabilities	44,371	39,193
Redeemable junior preferred shares	2,663	2,580
Equity		
Class A exchangeable, Class B, and Class C shares	4,055	1,890
Retained earnings	525	310
Accumulated other comprehensive loss, net of taxes	(445)	(523)
Non-controlling interests	8	8
Total equity	4,143	1,685
Total liabilities, mezzanine equity, and equity	\$ 51,177	\$ 43,458

September 30, 2023 vs. December 31, 2022

Total assets increased by \$7.7 billion during the period to \$51.2 billion.

Cash and cash equivalent increased by \$1.3 billion during the period. For further information, refer to "Liquidity and Capital Resources" section of the MD&A and our Consolidated Statements of Cash Flows.

Total investments increased by \$4.0 billion over the period, primarily as a result of \$2.1 billion of real estate and other assets contributed from Brookfield Corporation in exchange for Class C shares in the current quarter, as well as the deployment of new premiums received in the year, partially offset by unrealized losses from available-for-sale securities due to higher interest rates in the year.

Deferred acquisition costs are capitalized costs that are directly related to writing new policyholder contracts. During the period, the balance increased by \$717 million mainly as a result of new insurance contracts entered with policyholders which contributed to an increase of \$1.2 billion, partially offset by amortization of \$450 million.

Reinsurance funds withheld increased by \$1.4 billion over the period, primarily as a result of flow premiums received in the current period, partially offset by an increase in commissions payable and other reinsurance expenses.

Reinsurance recoverables are estimated amounts due to the Company from reinsurers or cedants, related to paid and unpaid ceded claims and expenses, and are presented net of reserves for collectability. The amount decreased by \$133 million in the period primarily as a result of a \$186 million reclassified into assets held for sale.

Other assets were \$548 million at the end of the quarter, compared to \$405 million at year-end. The balance primarily includes intangible assets, prepaid reinsurance premiums, prepaid pension, and other miscellaneous receivables. The balance increased primarily due to investment and derivative settlements to be received as at September 30, 2023.

Separate account assets and liabilities both increased by \$45 million since the year-end, mainly due to net realized gains of underlying assets of \$78 million and \$59 million of policyholder deposits, partially offset by \$96 million of policyholder benefits and withdrawals.

Future policy benefits and policyholder account balances increased by \$5.3 billion during the period mainly driven by new premiums and interest sensitive contract benefits as the business continues to expand.

Corporate and subsidiary borrowings decreased by \$915 million during the period, primarily as a result of the \$500 million repayment of the Company's 364-day secured facility and \$450 million repayment on the revolving credit facility in the second and third quarters of the year, respectively.

In the prior year, we issued junior preferred shares to Brookfield which are redeemable by the Company at any time at the issuance price plus accumulated and unpaid dividends.

Lines of Business

Direct Insurance

American National became the platform for our Direct insurance line, providing insurance in the following businesses: direct origination of life, annuity, and property and casualty.

Life Insurance

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

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

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

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

Annuities

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

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

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

Property and Casualty

Personal Lines. Personal lines include insurance policies sold to individuals for auto, homeowners, and other similar exposures. Auto insurance covers specific risks involved in owning and operating an automobile. Homeowner insurance provides coverage that protects the insured owner's property against loss from perils. Other personal insurance provides coverage for property such as boats, motorcycles and recreational vehicles, and umbrella protection coverage.

Commercial Lines. Commercial lines are primarily focused on providing insurance to agricultural related operations and small to midsize businesses. This includes property and casualty coverage tailored for a farm, ranch, or other agricultural-related businesses. Commercial auto insurance is typically issued in conjunction with the sale of our policies covering farms, ranches, and businesses and covers specific risks involved in owning and operating motor vehicles. Business owners' property and liability insurance, workers' compensation insurance, and other commercial insurance encompassing umbrella protection coverage and other liability coverages, are also offered.

Specialty Markets. Specialty Markets products include renters, mortgage security, aviation, private flood, and credit insurance. Credit insurance provides protection to borrowers and the creditors that extend credit to them against unpaid indebtedness as a result of death, disability, involuntary unemployment, or untimely loss to the collateral securing a personal or mortgage loan.

- *Collateral or Creditor Protection Insurance (“CPI”).* CPI provides insurance against loss, expense to recover, or damage to personal property pledged as collateral (typically automobiles and homes) resulting from fire, burglary, collision, or other loss occurrence that would either impair a creditor’s interest or adversely affect the value of the collateral. The coverage is purchased from us by the lender according to the terms of the credit obligation and charged to the borrower by the lender when the borrower fails to provide the required insurance.
- *Guaranteed Auto Protection or Guaranteed Asset Protection (“GAP”).* GAP insures the excess outstanding indebtedness over the primary property insurance benefits that may occur when there is a total loss to or an unrecovered theft of the collateral. GAP can be written on a variety of assets that are used as collateral to secure credit; however, it is most commonly written on automobiles.

Reinsurance

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

Annuities are insurance contracts that provide a defined income stream, typically for retirement planning. Policyholders deposit money with an insurance company in return for a fixed stream of cash flows either immediately or in the future. Reinsurance is an arrangement whereby an insurance company, the reinsurer, agrees to indemnify another insurance company, referred to as the ceding company or cedant, for all or a portion of the insurance risks that are underwritten by the ceding company. Reinsurance serves multiple purposes, including to (1) transfer insurance risk off of a ceding company’s balance sheet, enabling it to more efficiently manage balance sheet capacity to increase the volume of business it can underwrite (2) stabilize a ceding company’s operating results, (3) assist the cedant in achieving applicable regulatory requirements, and (4) optimize the overall financial strength and capital structure of the cedant.

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

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

Fixed Annuities

A fixed annuity (“FA”) is a type of insurance contract that provides a fixed rate of investment return (often referred to as a crediting rate) for a specified period of time. Fixed rate reset annuities have a crediting rate that is typically guaranteed for a period of one year, after which insurers are able to change the crediting rate at their discretion, generally to any rate at or above a previously guaranteed minimum rate.

Insurers earn income on FA contracts by generating a net investment spread, which is based on the difference between income earned on the investments supporting the liabilities and the crediting rate owed to customers.

Fixed Index Annuities

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

Insurers earn income on FIA contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

Payout Annuities

A payout annuity is an income-generating insurance product. In exchange for a lump-sum premium, the policyholder receives a series of guaranteed income payments for one lifetime, two lifetimes, or a specified period of time.

Insurers earn income on payout annuity contracts based on a net investment spread, which is the difference between income generated on investments supporting the liabilities and the interest that is credited to policyholders.

We operate our Reinsurance business through licensed operating companies, North End Re (Cayman) SPC (“NER SPC”) and North End Re Ltd (“NER Ltd.”). As of the date of this MD&A, our subsidiaries have reinsurance and retrocession agreements with two third parties to reinsure a block of U.S. annuities and fixed indexed annuities.

Pension Risk Transfer

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

A PRT insurance transaction may be structured as either a buy-out annuity or a buy-in annuity. Under a buy-out annuity, a direct insurer enters into a group annuity contract with the plan sponsor and assumes the liability to fund, administer, and pay benefits covered under the contract directly to the individual pension plan members covered under the contract. Under a buy-in annuity, the insurer enters into a group annuity contract with the plan sponsor and is liable to fund and pay the benefits covered under the contract to the pension plan fund, with the plan sponsor retaining the liability to administer and pay pension benefits to plan members. In both cases, the insurer assumes the investment and longevity risk.

Insurers earn income on buy-out and buy-in group annuities by generating a net investment spread, which is based on the difference between income earned on the investments supporting the annuity contract and the cost of the pension liabilities assumed.

Today, our PRT business is operated in Canada and the United States. Our Canadian PRT business is operated through Brookfield Annuity Company (“BAC”), a Canadian domiciled, licensed and regulated direct life insurance company that provides PRT solutions to organizations across Canada. Under American National, we also operate a U.S. PRT business, which became licensed during 2022 and successfully completed its first PRT transaction in December 2022. Our North American PRT businesses are led by a team of experts in group annuities, pensions, insurance and investments.

SEGMENT REVIEW

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

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

Direct Insurance

The following table presents Distributable Operating Earnings of our Direct Insurance segment for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US\$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	2023	2022
DOE	\$ 132	\$ 172	\$ 392	\$ 216

Comparison of the three and nine months ended September 30, 2023 and 2022

DOE within our Direct Insurance business represents contribution from our direct origination annuity, life, and P&C businesses operated by American National that the Company acquired in May 2022, as well as the health business that has been held-for-sale since the second quarter of 2023.

DOE from our life and annuity business increased by \$21 million compared to the prior year quarter due to increased investment income in the current market environment. The increase was more than offset by the absence of one-time realizations from our real estate portfolio in the segment in the prior year quarter. For the nine months ended September 30, 2023, DOE increased by \$176 million, mostly due to the full nine months contribution from the business in the current year.

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

Reinsurance

The following table presents Distributable Operating Earnings of our Reinsurance segment for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US\$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	2023	2022
DOE	\$ 47	\$ 16	\$ 95	\$ 26

Comparison of the three and nine months ended September 30, 2023 and 2022

DOE within our Reinsurance business increased to \$47 million and \$95 million in three and nine months ended September 30, 2023, respectively, primarily as a result of increase in interest income due to higher interest rates and deployment of capital. During the quarter, we recorded \$763 million of flow premiums on our reinsurance treaty with AEL, bringing total premiums reinsured under the treaty to approximately \$7.5 billion to-date.

Pension Risk Transfer

The following table presents Distributable Operating Earnings of our PRT segment for the three and nine months ended September 30, 2023 and 2022:

FOR THE PERIODS ENDED SEP. 30 US\$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	2023	2022
DOE	\$ 9	\$ 6	\$ 30	\$ 12

Comparison of the three and nine months ended September 30, 2023 and 2022

During the quarter, the Company closed 9 PRT deals in the Canadian market (2022 – 6 deals) and 7 PRT deals in the US market (2022 – nil), representing \$278 million (2022 – \$328 million) of premiums. The increase in DOE from the prior year was primarily a result of higher investment income due to new businesses over the last twelve months as well as redeployment of assets into higher yielding investments.

Liquidity and Capital Resources

CAPITAL RESOURCES

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

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US\$ MILLIONS	2023	2022
Cash and cash equivalents	\$ 451	\$ 784
Liquid financial assets	237	241
Undrawn credit facilities	934	544
Total Corporate liquidity¹	\$ 1,622	\$ 1,569

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. In June 2021, Brookfield provided to the Company an equity commitment in the amount of \$2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of Class C shares or junior preferred shares. In addition, in connection with the Spin-off we entered into a credit agreement with Brookfield as the lender, providing for a three-year revolving \$400 million credit facility in addition to our \$550 million revolving credit facilities with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation will be a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there were no amounts drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to invest in a rising rate environment and secure attractive investment opportunities. In addition to a portfolio of highly liquid financial assets, our operating companies have additional access to liquidity from sources such as the Federal Home Loan Bank (“FHLB”) within our direct insurance business and short-term repurchase agreements within our PRT business to manage market exposure between the timing of transaction agreements being entered into and the receipt of assets. As at September 30, 2023, the Company had drawn \$43 million of a total \$878 million of commitments available relating to these programs.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As at September 30, 2023, the Company's total liquidity was \$23.4 billion, of which cash and cash equivalents included \$451 million of unrestricted cash resources that can be deployed to fund corporate activities as needed.

AS AT SEP. 30, 2023 AND DEC. 31, 2022
US\$ MILLIONS

	2023	2022
Cash and cash equivalents	\$ 3,448	\$ 2,145
Liquid financial assets	18,972	17,769
Undrawn credit facilities	934	544
Total liquidity ¹	\$ 23,354	\$ 20,458

1. See “Performance Measures used by Management”.

Comparison of the three and nine months ended September 30, 2023 and 2022

The following table presents a summary of our cash flows and ending cash balances for the nine months ended September 30, 2023 and 2022:

FOR THE NINE MONTHS ENDED SEP. 30
US\$ MILLIONS

	2023	2022
Operating activities	\$ 954	\$ 683
Investing activities	(1,776)	(3,452)
Financing activities	2,125	5,534
Cash and cash equivalents		
Cash and cash equivalents, beginning of the period	2,145	393
Net change during the period	1,303	2,765
Foreign exchange on cash balances held in foreign currencies	—	(5)
Cash and cash equivalents, end of the period	\$ 3,448	\$ 3,153

Operating Activities

For the nine months ended September 30, 2023, we generated \$954 million of cash from operating activities compared to \$683 million during 2022, mainly driven by higher interest and dividend income received from our investment portfolios in the current period, in particular from available-for-sale securities, mortgage loans, private loans and short-term investments, as well as from premiums written from new flow reinsurance and PRT transactions.

Investing Activities

For the nine months ended September 30, 2023, we reinvested liquid short-term and fixed maturity investments that matured during the period and we deployed approximately \$4.0 billion into new higher-yielding investments within our insurance operating subsidiaries' portfolios. These investments were primarily funded by new premiums and the sales and maturities of liquid securities. The purchase and sales, net of maturities, resulted in net deployment of \$1.8 billion of cash from investing activities, compared to net deployment of \$3.5 billion in the prior year period.

Financing Activities

For the nine months ended September 30, 2023, we received \$2.1 billion of cash from financing activities, compared to \$5.5 billion received in the same period in 2022. The proceeds in the current year period were mainly as a result of \$2.6 billion net payments received on policyholders' account deposits, partially offset by the net repayment of \$920 million on our borrowings.

Financial Instruments

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

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

As at September 30, 2023, our common equity was \$4.1 billion and our adjusted equity was \$7.3 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, B, and C shares and the Junior Preferred Shares issued by our Company, excluding accumulated other comprehensive income. Refer to discussion on Non-GAAP Measures.

Included in equity and adjusted equity was approximately \$207 million invested in Canadian dollars. As at September 30, 2023, we had a notional \$2.4 billion (December 31, 2022 – \$2.8 billion) of foreign exchange forward contracts in place to hedge against foreign currency risk.

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

Future Capital Obligations and Requirements

Subsidiaries of the Company have investment commitment agreements to the maximum of \$12.6 billion exclusive of taxes and other operating expenses (December 31, 2022 – \$5.4 billion). As at September 30, 2023, \$7.0 billion was funded (December 31, 2022 – \$2.6 billion). The amounts are recognized as loans and receivables, unrated bonds and private equity investments.

For additional information, see Note 27, “Financial commitments and contingencies” of the financial statements.

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

AS AT SEP. 30 2023 US\$ MILLIONS	Payments due by year				
	Total	Less than 1 year	1- 3 years	4 - 5 years	More than 5 years
Corporate borrowings	\$ 1,243	\$ 1,227	\$ —	\$ 16	\$ —
Subsidiary borrowings	1,494	—	—	997	497

Capital management

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

The Company takes an integrated approach to risk management that involves the Company’s risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company’s risk appetite and Own Risk and Solvency Assessment (“ORSA”). Furthermore, stress techniques that include the Financial Conditions Testing (“FCT”) are used to evaluate the Company’s capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test (“LICAT”) as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

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

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

The Company has determined that it is in compliance with all capital requirements as at September 30, 2023 and December 31, 2022.

Brookfield Operating Results

An investment in the Class A exchangeable shares of the Company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield’s three and nine months ended September 30, 2023 operating results is provided below:

FOR THE PERIOD ENDED SEP. 30 US\$ MILLIONS	Three months ended		Nine months ended	
	2023	2022	2023	2022
Revenues	\$ 24,441	\$ 23,418	\$ 71,406	\$ 68,556
Net income	35	716	1,971	5,151

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

Industry Trends and Factors Affecting Our Performance

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

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

Market Risk

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

Foreign Exchange Rate Risk

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

Our net assets are subject to financial statement translation into U.S. Dollars. All of our financial statement translation-related impact from changes in foreign currency rates is recorded in other comprehensive income.

Interest Rate Risk

Interest rates currently increased in many jurisdictions in which we operate in 2023 but remain at relatively low levels by historical standards. The Company's asset liability management practices and interest rate risk management allows the Company to mitigate the impact of interest rate volatility on the business. However, sudden or unexpected changes in interest rates may cause certain market dislocations that could negatively impact our financial performance. Interest rate increases would also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result thereof.

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

Other Price Risk

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

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

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

Credit Risk

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

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

Insurance Risk

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

We manage insurance risk through choosing whether to purchase reinsurance for certain amounts of risk underwritten within our pension risk transfer business, and we may also look to further reinsure certain amounts of risk we assume under our reinsurance agreements.

Legal Risk

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

Operational Risk

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

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

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

Critical Accounting Estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Refer to Critical Accounting Estimates in the financial statements for the year ended December 31, 2022 filed with the SEC on June 28, 2023.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-GAAP measures, including DOE and Adjusted Equity. In addition, we provide certain metrics such as Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the “Segment Review” section of this MD&A for further discussion on our performance measures for the three and nine months ended September 30, 2023 and 2022.

Non-GAAP Measures

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

Distributable Operating Earnings ("DOE")

We use DOE to assess operating results and the performance of our businesses. We define distributable operating earnings as net income excluding the impact of depreciation and amortization, deferred income taxes, and breakage and transaction costs, as well as certain investment and insurance reserve gains and losses, including gains and losses related to asset and liability matching strategies and change in market risk benefits, and is inclusive of returns on equity invested in certain variable interest entities and our share of adjusted earnings from our investments in certain associates.

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

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

Adjusted Equity

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

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

Reconciliation of Non-GAAP Measures

The following table reconciles our net income to Distributable Operating Earnings:

FOR THE PERIODS ENDED SEP. 30 US\$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	2023	2022
Net income	\$ 77	\$ 139	\$ 344	\$ 320
Net investment gains and losses, including funds withheld	94	133	(74)	225
Mark-to-market on insurance contracts and other net assets	29	(123)	218	(375)
Deferred income tax (recovery) expense	(31)	3	(33)	14
Transaction costs	7	2	16	26
Depreciation	6	5	16	8
Distributable Operating Earnings	\$ 182	\$ 159	\$ 487	\$ 218

The following table reconciles our equity to Adjusted Equity:

AS AT SEP. 30 US\$ MILLIONS	2023	2022
Total equity	\$ 4,143	\$ 1,082
Add:		
Accumulated other comprehensive loss (income)	445	1,054
Junior preferred shares	2,663	2,497
Adjusted Equity	\$ 7,251	\$ 4,633

Forward-Looking Information

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

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

The following factors, among others, could cause our actual results to vary from our forward-looking statements:

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