UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD REINSURANCE LTD.
AS AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022, AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

INDEX

	Page
Unaudited Condensed Consolidated Statements of Financial Position	2
Unaudited Condensed Consolidated Statements of Operations	3
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)	4
Unaudited Condensed Consolidated Statements of Changes in Equity	5
Unaudited Condensed Consolidated Statements of Cash Flows	7
Notes to the Unaudited Condensed Consolidated Financial Statements	9
Management's Discussion and Analysis of Financial Condition and Results of Operations	57

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT US$ MILLIONS, EXCEPT SHARE DATA	Note	**September 30, 2023**	December 31, 2022
Assets			
Available-for-sale fixed maturity securities, at fair value (net of allowance for credit losses of $24 and $30 respectively; amortized cost of $16,145 and $17,606, respectively)	3	**$ 14,732**	$ 16,316
Equity securities, at fair value	4	**2,031**	1,253
Mortgage loans on real estate, at amortized cost, (net of allowance for credit loss of $33 and $41, respectively)	5	**5,919**	5,888
Private loans, at amortized cost, (net of allowance for credit loss of $42 and $28, respectively)	6	**1,704**	1,144
Real estate and real estate partnerships, (net of accumulated depreciation of $321 and $304, respectively)	7	**3,824**	1,036
Investment funds	11	**2,077**	1,671
Policy loans	11	**383**	374
Short-term investments	11	**3,328**	2,402
Other invested assets, net	11	**266**	211
Total investments		**34,264**	30,295
Cash and cash equivalents		**3,448**	2,145
Accrued investment income		**352**	341
Deferred policy acquisition costs	13	**2,302**	1,585
Reinsurance funds withheld		**7,176**	5,812
Premiums due and other receivables		**501**	436
Deferred tax asset		**494**	490
Reinsurance recoverables, net		**456**	589
Property and equipment		**164**	194
Other assets	18	**548**	405
Assets held-for-sale	15	**261**	—
Goodwill	14	**121**	121
Separate account assets	12	**1,090**	1,045
Total assets		**51,177**	43,458
Liabilities			
Future policy benefits	16	**8,577**	8,011
Policyholders' account balances	17	**24,862**	20,141
Policy and contract claims	19	**1,704**	1,786
Deposit liabilities		**1,612**	1,657
Market risk benefit	18	**184**	124
Unearned premium reserve		**1,161**	1,086
Due to related parties	25	**634**	241
Other policyholder funds		**323**	322
Notes payable	11	**170**	151
Corporate borrowings	20	**1,243**	2,160
Subsidiary borrowings	20	**1,494**	1,492
Liabilities issued to reinsurance entities		**172**	151
Other liabilities		**900**	826
Liabilities held-for-sale	15	**245**	—
Separate account liabilities	12	**1,090**	1,045
Total liabilities		**44,371**	39,193
Mezzanine equity			
Redeemable Junior Preferred Shares, par value $25 per share, redemption amount of $2,663 (100,460,280 shares outstanding)	22	**2,663**	2,580
Equity			
Class A exchangeable, Class B, and Class C (10,450,952 and 9,594,989 Class A exchangeable shares, 24,000 Class B shares; par value $33.49 and $33.70 per share and 102,056,784 and 40,934,623 Class C shares issued and outstanding; par value $1 per share)	22	**4,055**	1,890
Retained earnings		**525**	310
Accumulated other comprehensive loss, net of taxes	23	**(445)**	(523)
Non-controlling interests		**8**	8
Total equity		**4,143**	1,685
Total liabilities, mezzanine equity, and equity		**$ 51,177**	$ 43,458

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

US$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net premiums		**$ 913**	$ 962	**$ 2,812**	$ 2,272
Other policy revenue		**106**	96	**306**	127
Net investment income	10	**442**	394	**1,282**	645
Investment related gains (losses), net	10	**(82)**	(218)	**104**	(325)
Net investment results from funds withheld		**71**	142	**189**	215
Total revenues		**1,450**	1,376	**4,693**	2,934
Policyholder benefits and claims incurred	16	**(870)**	(849)	**(2,745)**	(2,102)
Interest sensitive contract benefits	17	**(290)**	(114)	**(847)**	(150)
Commissions for acquiring and servicing policies	13	**(198)**	(184)	**(591)**	(246)
Net change in deferred policy acquisition costs	13	**316**	149	**678**	187
Change in fair value of market risk benefit	18	**(35)**	45	**(27)**	112
Other reinsurance expenses		**(54)**	(45)	**(91)**	(59)
Operating expenses		**(191)**	(169)	**(553)**	(261)
Interest expense		**(61)**	(37)	**(181)**	(60)
Total benefits and expenses		**(1,383)**	(1,204)	**(4,357)**	(2,579)
Net income before income taxes		**67**	172	**336**	355
Income tax recovery (expense)	21	**10**	(33)	**8**	(35)
Net income for the period		**$ 77**	$ 139	**$ 344**	$ 320
Attributable to:					
Class A exchangeable and Class B shareholders		**$ 1**	$ 2	**$ 3**	$ 5
Class C shareholders		**75**	133	**338**	313
Non-controlling interests		**1**	4	**3**	2
		$ 77	$ 139	**$ 344**	$ 320
Net income per Class C share					
Basic	24	**$ 0.65**	$ 3.03	**$ 4.92**	$ 9.51

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

US$ MILLIONS	Note	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income		**$ 77**	$ 139	**$ 344**	$ 320
Other comprehensive income (loss) that will be reclassified to net income, net of tax					
Equity accounted other comprehensive income (loss)		**—**	(255)	**—**	(535)
Net unrealized gain (loss) on available for sale securities		**(251)**	(464)	**(123)**	(1,132)
Foreign currency translation		**(3)**	(12)	**(4)**	(13)
Change in discount rate for future policyholder benefit liability		**323**	246	**225**	658
Change in instrument specific credit risk for market risk benefit		**(14)**	(5)	**(24)**	8
Defined benefit pension plan adjustment		**1**	(3)	**4**	**(3)**
Total other comprehensive income (loss)	23	**56**	(493)	**78**	(1,017)
Comprehensive income (loss)		**$ 133**	$ (354)	**$ 422**	$ (697)
Attributable to:					
Class A exchangeable and Class B shareholders		**$ 1**	$ 2	**$ 3**	$ 5
Class C shareholders		**131**	(360)	**416**	(703)
Non-controlling interests		**1**	4	**3**	1
		$ 133	$ (354)	**$ 422**	$ (697)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED US$ MILLIONS	Class A exchangeable and Class B shareholders			Class C shareholders					
	Share Capital	Retained Earnings	Total	Share Capital	Retained Earnings	Accumulated other Comprehensive Income (Loss)	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2023	**$ 423**	**$ 9**	**$ 432**	**$ 1,467**	**$ 301**	**$ (523)**	**$ 1,245**	**$ 8**	**$ 1,685**
Net income	—	1	1	—	(99)	—	(99)	5	**(93)**
Other comprehensive loss	—	—	—	—	—	240	240	—	**240**
Comprehensive income (loss)	—	1	1	—	(99)	240	141	5	**147**
Other items:									
Equity issuances	38	—	38	—	—	—	—	—	**38**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(67)	—	(67)	(4)	**(72)**
Other	(10)	—	(10)	10	—	—	10	—	**—**
Total change in the period	27	1	28	10	(166)	240	84	1	**113**
Balance as at March 31, 2023	**$ 450**	**$ 10**	**$ 460**	**$ 1,477**	**$ 135**	**$ (283)**	**$ 1,329**	**$ 9**	**$ 1,798**
Net income	—	1	1	—	362	—	362	(3)	**360**
Other comprehensive loss	—	—	—	—	—	(218)	(218)	—	**(218)**
Comprehensive income (loss)	—	1	1	—	362	(218)	144	(3)	**142**
Other items:									
Equity issuances	—	—	—	—	—	—	—	1	**1**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(28)	—	(28)	2	**(27)**
Other	—	—	—	—	(3)	—	(3)	—	**(3)**
Total change in the period	(1)	1	—	—	331	(218)	113	—	**113**
Balance as at June 30, 2023	**$ 449**	**$ 11**	**$ 460**	**$ 1,477**	**$ 466**	**$ (501)**	**$ 1,442**	**$ 9**	**$ 1,911**
Net income	—	1	1	—	75	—	75	1	**77**
Other comprehensive loss	—	—	—	—	—	56	56	—	**56**
Comprehensive income (loss)	—	1	1	—	75	56	131	1	**133**
Other items:									
Equity issuances	—	—	—	2,130	—	—	2,130	—	**2,130**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(28)	—	(28)	(2)	**(31)**
Total change in the period	(1)	1	—	2,130	47	56	2,233	(1)	**2,232**
Balance as at September 30, 2023	**$ 448**	**$ 12**	**$ 460**	**$ 3,607**	**$ 513**	**$ (445)**	**$ 3,675**	**$ 8**	**$ 4,143**

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIODS ENDED US$ MILLIONS	Class A exchangeable and Class B shareholders			Class C shareholders				Non-controlling interests	Total Equity
	Share Capital	Retained Earnings	Total	Share Capital	Retained Earnings	Accumulated other Comprehensive Income (Loss)	Total		
Balance as at January 1, 2022	**$ 536**	**$ 3**	**$ 539**	**$ 963**	**$ (124)**	**$ (33)**	**$ 806**	**$ —**	**$ 1,345**
Changes in the period:									
Net income	—	2	2	—	154		154	—	**156**
Other comprehensive loss	—	—	—	—	—	(83)	(83)	—	**(83)**
Comprehensive income (loss)	—	2	2	—	154	(83)	71	—	**73**
Other items:									
Equity issuances	—	—	—	—	—	—	—	—	**—**
Distribution and others[1]	(2)	—	(2)	—	26	(5)	21	—	**19**
Total change in the period	(2)	2	—	—	180	(88)	92	—	**92**
Balance as at March 31, 2022	**$ 534**	**$ 5**	**$ 539**	**$ 963**	**$ 56**	**$ (121)**	**$ 898**	**$ —**	**$ 1,437**
Changes in the period:									
Net income	—	1	1	—	26	—	26	(2)	**25**
Other comprehensive loss	—	—	—	—	—	(440)	(440)	(1)	**(441)**
Comprehensive income (loss)	—	1	1	—	26	(440)	(414)	(3)	**(416)**
Other items:									
Equity issuances	—	—	—	450	—	—	450	11	**461**
Distributions and redeemable preferred share dividends[1]	(1)	—	(1)	—	(11)	—	(11)	—	**(12)**
Total change in the period	(1)	1	—	450	15	(440)	25	8	**33**
Balance as at June 30, 2022	**$ 533**	**$ 6**	**$ 539**	**$ 1,413**	**$ 71**	**$ (561)**	**$ 923**	**$ 8**	**$ 1,470**
Changes in the period:									
Net income	—	2	2	—	133	—	133	4	**139**
Other comprehensive loss	—	—	—	—	—	(493)	(493)	—	**(493)**
Comprehensive income (loss)	—	2	2	—	133	(493)	(360)	4	**(354)**
Other items:									
Distributions and redeemable preferred share dividends[1]	(2)	—	(2)	—	(28)	—	(28)	(4)	**(34)**
Total change in the period	(2)	2	—	—	105	(493)	(388)	—	**(388)**
Balance as at September 30, 2022	**$ 531**	**$ 8**	**$ 539**	**$ 1,413**	**$ 176**	**$ (1,054)**	**$ 535**	**$ 8**	**$ 1,082**

1. The Company distributed $0.14 in the form of a return of capital per each Class A exchangeable and Class B share in each of the quarters of 2022.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	2023	2022
Operating activities		
Net income	**$ 344**	$ 320
Adjustments to reconcile net income to net cash from operating activities:		
Premiums received in kind	**—**	(180)
Accretion on investments	**(146)**	(22)
Depreciation and amortization	**28**	15
Unrealized losses (gains) on investments and derivatives	**(125)**	282
Realized gains on investments and derivatives	**32**	(23)
Investment credit losses (reversals)	**(9)**	52
Income from real estate partnerships, investment funds and corporations	**(121)**	(148)
Distributions from real estate partnerships, investment funds and corporations	**63**	—
Interest credited to policyholder account balances	**431**	32
Deferred income taxes	**(33)**	28
Changes in operating assets and liabilities:		
Policyholder liabilities	**2,682**	1,104
Deposit liabilities	**(151)**	—
Reinsurance funds withheld	**(1,406)**	(675)
Deferred policy acquisition costs	**(669)**	(197)
Reinsurance recoverables	**(59)**	22
Accrued investment income	**(22)**	(141)
Working capital and other	**115**	214
Cash flows from operating activities	**954**	683
Investing activities		
Acquisition of subsidiary, net of cash acquired	**—**	(4,086)
Purchase of investments		
Fixed maturity, available for sale	**(4,337)**	(3,869)
Equity securities	**(408)**	(692)
Mortgage loans on real estate	**(402)**	(686)
Private loans	**(24)**	(778)
Real estate and real estate partnerships	**(1,301)**	(31)
Investment funds	**(620)**	(214)
Short-term investments	**(9,778)**	(6,993)
Other invested assets	**(440)**	—
Proceeds from sales and maturities of investments		
Fixed maturity, available for sale	**4,743**	4,541
Equity securities	**110**	202
Mortgage loans on real estate	**418**	464
Private loans	**449**	16
Real estate and real estate partnerships	**74**	4
Investment funds	**161**	169
Short-term investments	**9,453**	8,666
Other invested assets	**95**	—
Purchases of derivatives	**(83)**	(48)
Proceeds (settlements) from sales and maturities of derivatives	**47**	163
Purchase of intangibles and property and equipment	**—**	(14)
Purchase of equity accounted investments	**—**	(253)
Net change in policy loans	**(9)**	—
Change in collateral held for derivatives	**55**	(14)
Other, net	**21**	1
Cash flows from investing activities	**(1,776)**	(3,452)

Financing activities		
Issuance of common equity	**—**	450
Issuance of preferred equity	**—**	2,459
Return of capital to common stockholders	**(3)**	(5)
Proceeds from non-controlling interest	**1**	—
Payments to non-controlling interest	**—**	(5)
Borrowings from related parties	**368**	260
Repayment of borrowings to related parties	**—**	(580)
Borrowings from external parties	**1,134**	4,102
Repayment of borrowings to external parties	**(2,054)**	(1,667)
Borrowings issued to reinsurance entities	**—**	62
Policyholders' account deposits	**4,480**	905
Policyholders' account withdrawals	**(1,844)**	(485)
Debt issuance costs	**—**	(10)
Proceeds from repurchase agreement	**221**	327
Repayments of repurchase agreement	**(178)**	(279)
Cash flows from financing activities	**2,125**	5,534
Cash and cash equivalents		
Cash and cash equivalents at beginning of period	**2,145**	393
Net change during the period	**1,303**	2,765
Foreign exchange on cash balances held in foreign currencies	**—**	(5)
Cash and cash equivalents, end of period	**$ 3,448**	$ 3,153
Supplementary cash flow disclosures		
Cash taxes (recovery) paid	**$ (11)**	$ 52
Cash interest paid	**94**	30
Dividends and interest income received	**736**	299

NOTE 1. NATURE OF OPERATIONS

Brookfield Reinsurance Ltd. (“Brookfield Reinsurance” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company’s class A exchangeable shares are listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") under the symbol “BNRE”.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements ("financial statements") and notes thereto, including all prior periods presented, have been prepared under accounting principles generally accepted in the United States of America (“GAAP”). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated. The interim condensed consolidated financial statements should be read in conjunction with the December 31, 2022 audited consolidated financial statements of the Company and accompanying notes included with the Form 6-K ("2022 Form 6-K") filed with the SEC on June 28, 2023. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2023. The interim condensed consolidated financial statements are unaudited and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented in accordance with GAAP.

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

Adoption of new accounting standards

For long duration insurance contracts, ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), issued in August 2018, changes the measurement and disclosures of insurance liabilities and deferred acquisition cost for long-duration contracts issued by insurers. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Refer to the 2022 Form 6-K filed with the SEC on June 28, 2023 for adoption information.

The Company adopted LDTI effective January 1, 2023 with a transition date of January 1, 2021. The adoption of LDTI resulted in a decrease of $1 million and $135 million in retained earnings and accumulated other comprehensive income, respectively. As part of the LDTI adoption, the Company reviews for updates to cash flow assumptions at least annually, and at the same time every year by cohort or product. The Company also reviews more frequently and updates its cash flow assumptions during an interim period if evidence suggests cash flow assumptions should be revised.

On April 1, 2023, the Company adopted ASU 2020-04 Topic 848. The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The inventory of LIBOR exposures is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. Certain contracts included in these categories matured prior to December 31, 2021, the start of LIBOR rates cessations. The transition from LIBOR did not have a material impact to the Company's financial statements or notes to the financial statements.

Recently issued accounting pronouncements

On October 9, 2023, the Financial Accounting Standards Board issued Accounting Standards Update 2023-06—Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06"). The amendments modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements and also facilitate the comparison of entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Further, the amendments align the requirements in the Codification with the SEC's regulations.

The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this update should be applied prospectively.

We are currently evaluating the requirements of ASU 2023-06. However, as they apply to disclosure requirements, the adoption of the standard is not anticipated to have a material impact on our profitability, financial position or cash flows.

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

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

AS AT SEP. 30, 2023 US$ MILLIONS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. treasury and government	$ 170	$ —	$ (44)	$ —	**$ 126**
U.S. states and political subdivisions	776	—	(50)	—	**726**
Foreign governments	568	1	(55)	—	**514**
Corporate debt securities	13,411	54	(1,250)	(11)	**12,204**
Residential mortgage-backed securities	124	—	(5)	(1)	**118**
Commercial mortgage-backed securities	473	6	(30)	(7)	**442**
Collateralized debt securities	623	18	(34)	(5)	**602**
Total investments in fixed maturity securities	**$ 16,145**	**$ 79**	**$ (1,468)**	**$ (24)**	**$ 14,732**

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

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

AS AT US$ MILLIONS	**September 30, 2023**		December 31, 2022	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 474**	**$ 469**	$ 494	$ 489
Due after one year through five years	**4,929**	**4,714**	5,244	5,072
Due after five years through ten years	**4,352**	**4,003**	5,907	5,436
Due after ten years	**6,390**	**5,546**	5,961	5,319
Total	**$ 16,145**	**$ 14,732**	$ 17,606	$ 16,316

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

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

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Proceeds from sales of available-for-sale fixed maturity securities	**$ 1,213**	$ 782	**$ 4,743**	$ 4,541
Gross realized gains	**6**	7	**32**	106
Gross realized losses	**(32)**	(34)	**(121)**	(188)

Gains and losses are determined using first-in-first-out of the securities sold. In addition, the Company has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $58 million and $117 million at September 30, 2023 and December 31, 2022, respectively.

In accordance with various regulations, the Company has securities on deposit with regulating authorities with a carrying value of $28 million and $51 million at September 30, 2023 and December 31, 2022, respectively.

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

AS AT SEP. 30, 2023 US$ MILLIONS, EXCEPT NUMBER OF ISSUES	Less than 12 months			12 months or more			Total		
	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
U.S. treasury and government	12	$ (1)	$ 30	34	$ (43)	$ 96	**46**	**$ (44)**	**$ 126**
U.S. states and political subdivisions	340	(21)	408	196	(29)	317	**536**	**(50)**	**725**
Foreign governments	43	(35)	341	27	(20)	172	**70**	**(55)**	**513**
Corporate debt securities	1,148	(410)	4,352	1,370	(840)	7,447	**2,518**	**(1,250)**	**11,799**
Residential mortgage-backed securities	1	(1)	42	13	(4)	76	**14**	**(5)**	**118**
Commercial mortgage-backed securities	8	(8)	44	41	(22)	363	**49**	**(30)**	**407**
Collateralized debt securities	52	(12)	119	70	(22)	480	**122**	**(34)**	**599**
Total	**1,604**	**$ (488)**	**$ 5,336**	**1,751**	**$ (980)**	**$ 8,951**	**3,355**	**$ (1,468)**	**$ 14,287**

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

Allowance for Credit Losses

Several assumptions and underlying estimates are made in the evaluation of allowance for credit loss. Examples include financial condition, near term and long-term prospects of the issue or issuer, including relevant industry conditions and trends and implications of rating agency actions and offering prices. Based on this evaluation, unrealized losses on bonds available-for-sale where an allowance for credit loss was not recorded were concentrated in the Company's available-for-sale fixed maturity securities within the transportation sector.

The rollforward of the allowance for credit losses for available-for-sale fixed maturity securities is shown below for the three and nine months ended September 30, 2023.

FOR THE THREE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ (23)	$ —	$ —	$ (16)	**$ (39)**
Credit losses recognized on securities for which credit losses were not previously recorded	(1)	—	(7)	—	**(8)**
Reductions for securities sold during the period	1	(1)	—	—	**—**
Changes in previously recorded allowance	12	—	—	11	**23**
Balance at September 30, 2023	**$ (11)**	**$ (1)**	**$ (7)**	**$ (5)**	**$ (24)**

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ (24)	$ —	$ —	$ (6)	**$ (30)**
Credit losses recognized on securities for which credit losses were not previously recorded	(19)	—	(7)	(18)	**(44)**
Reductions for securities sold during the period	15	(1)	—	2	**16**
Changes in previously recorded allowance	17	—	—	17	**34**
Balance at September 30, 2023	**$ (11)**	**$ (1)**	**$ (7)**	**$ (5)**	**$ (24)**

No accrued interest receivables were written off as of September 30, 2023.

FOR THE THREE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ —	$ —	$ —	**$ —**
Credit losses recognized on securities for which credit losses were not previously recorded	(9)	—	(3)	**(12)**
Balance at September 30, 2022	**$ (9)**	**$ —**	**$ (3)**	**$ (12)**

FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Corporate Debt Securities	Residential Mortgage Backed Securities	Collateralized Debt Securities	Total
Beginning balance	$ —	$ —	$ —	**$ —**
Acquisition from business combination	(11)	(1)	(1)	**(13)**
Credit losses recognized on securities for which credit losses were not previously recorded	(9)	—	(3)	**(12)**
Reductions for securities sold during the period	11	1	1	**13**
Balance at September 30, 2022	**$ (9)**	**$ —**	**$ (3)**	**$ (12)**

NOTE 4. EQUITY SECURITIES

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

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Net gains (losses) on equity securities	**$ (69)**	$ (123)	**$ 87**	$ (148)

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

US$ MILLIONS	September 30, 2023	December 31, 2022
Consumer goods	**10 %**	5 %
Energy and utilities	**10 %**	3 %
Finance	**52 %**	66 %
Healthcare	**7 %**	5 %
Industrials	**3 %**	2 %
Information technology	**11 %**	14 %
Other	**7 %**	5 %
Total	**100 %**	100 %

NOTE 5. MORTGAGE LOANS ON REAL ESTATE

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

AS AT SEP. 30, 2023 US$ MILLIONS	Current	Non-accrual	Total	Percentage
Apartment	$ 1,108	$ —	$ 1,108	19 %
Hotel	1,043	—	1,043	18 %
Industrial	1,089	—	1,089	18 %
Office	931	40	971	16 %
Parking	415	—	415	7 %
Retail	821	25	846	14 %
Storage	131	—	131	2 %
Other	349	—	349	6 %
Total	**$ 5,887**	**$ 65**	**$ 5,952**	**100 %**
Allowance for credit losses			(33)	
Total, net of allowance			$ 5,919	

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

Allowance for Credit Losses

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

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	**2023**	2022
Balance at January 1	**$ (41)**	$ (1)
Provision	**(6)**	(37)
Balance at June 30	**$ (47)**	$ (38)
Recovery (provision)	**14**	(2)
Balance at September 30	**$ (33)**	$ (40)

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

AS AT	**September 30, 2023**		December 31, 2022	
US$ MILLIONS	**Asset Balance**	**Allowance**	Asset Balance	Allowance
Apartment	**$ 1,108**	**$ (6)**	$ 907	$ (1)
Hotel	**1,043**	**(6)**	1,114	(6)
Industrial	**1,089**	**(6)**	1,050	(4)
Office	**971**	**(5)**	1,187	(17)
Parking	**415**	**(2)**	420	(6)
Retail	**846**	**(5)**	874	(4)
Storage	**131**	**(1)**	120	(2)
Other	**349**	**(2)**	257	(1)
Total	**$ 5,952**	**$ (33)**	$ 5,929	$ (41)

Credit Quality Indicators

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

	Amortized Cost Basis by Origination Year						
US$ MILLIONS	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Apartment	$ 4	$ 505	$ 275	84	$ 140	$ 100	**$ 1,108**
Hotel	129	227	39	39	129	480	**1,043**
Industrial	—	314	185	216	129	245	**1,089**
Office	10	120	31	24	46	740	**971**
Parking	—	55	29	27	13	291	**415**
Retail	—	264	117	64	35	366	**846**
Storage	11	8	22	36	38	16	**131**
Other	58	147	45	—	28	71	**349**
Total	**$ 212**	**$ 1,640**	**$ 743**	**$ 490**	**$ 558**	**$ 2,309**	**$ 5,952**
Allowance for credit losses							**(33)**
Total, net of allowance							**$ 5,919**

Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. It is the Company's policy to not accrue interest on loans that are 90 days delinquent and where amounts are determined to be uncollectible. At September 30, 2023, two commercial loans were past due over 90 days or in non-accrual status (December 31, 2022 - one commercial loan).

NOTE 6. PRIVATE LOANS

The following table summarizes the credit ratings for private loans:

AS AT US$ MILLIONS	**September 30, 2023**	December 31, 2022
A or higher	**$ 50**	$ 4
BBB	**82**	17
BB and below	**742**	395
Unrated	**830**	728
Total	**$ 1,704**	$ 1,144

Allowance for Credit Losses

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

FOR THE PERIOD ENDED SEP. 30 US$ MILLIONS	**2023**	2022
Balance at January 1	**$ (28)**	$ (12)
Recoveries	**1**	3
Balance at March 31	**(27)**	(9)
Provision	**(3)**	(4)
Balance at June 30	**(30)**	(13)
Provision	**(12)**	(9)
Balance at September 30	**$ (42)**	$ (22)

NOTE 7. REAL ESTATE AND REAL ESTATE PARTNERSHIPS

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

AS AT US$ MILLIONS, EXCEPT FOR PERCENTAGES	**September 30, 2023**		December 31, 2022	
	Amount	**Percentage**	Amount	Percentage
Hotel	**$ 478**	**13 %**	$ 77	7 %
Industrial	**439**	**11 %**	168	16 %
Land	**49**	**1 %**	48	5 %
Office	**1,890**	**49 %**	243	23 %
Retail	**212**	**6 %**	212	20 %
Apartments	**492**	**13 %**	254	25 %
Student housing	**85**	**2 %**	—	— %
Other	**179**	**5 %**	34	4 %
Total	**$ 3,824**	**100 %**	$ 1,036	100 %

The Company regularly invests in real estate partnerships and frequently participates in the design with the sponsor, but in most cases, its involvement is limited to financing. Some of these partnerships have been determined to be variable interest entities ("VIEs"). In certain instances, in addition to an economic interest in the entity, the Company holds the power to direct the most significant activities of the entity and is deemed the primary beneficiary. The assets of the consolidated VIEs are restricted and must first be used to settle their liabilities. Creditors or beneficial interest holders of these VIEs have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment. The Company has not provided financial or other support to the VIEs in the form of liquidity arrangements, guarantees, or other commitments to third-parties that may affect the fair value or risk of its variable interest in the VIEs as at September 30, 2023 or December 31, 2022.

NOTE 8. EQUITY METHOD INVESTMENTS

The Company's total investment in investment funds, real estate partnerships, and other partnerships of which substantially all are limited liability companies ("LLCs") or limited partnerships as at September 30, 2023 and December 31, 2022, was $5.0 billion and $2.8 billion, respectively.

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

Aggregate net income of these entities totaled $128 million and $93 million for the nine months ended September 30, 2023 and 2022, respectively. Aggregate net income (from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income (loss) and realized and unrealized investment gains (losses).

NOTE 9. DERIVATIVE INSTRUMENTS

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

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

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

Derivatives, except for embedded derivatives, are included in Other Invested Assets or Other Liabilities, at fair value. Embedded derivative assets and liabilities on Modco arrangements and embedded derivative liabilities on indexed annuity and variable annuity products are included on the Statements of Financial Position within the Reinsurance Funds Withheld, and Policyholders' Account Balances lines respectively, at fair value.

The notional and fair values of derivative instruments, presented on the balance sheet, are shown below:

US$ MILLIONS	Primary underlying risk	Location in the Consolidated Statements of Financial Position	September 30, 2023			December 31, 2022		
				Carrying Value / Fair Value			Carrying Value / Fair Value	
			Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Derivatives designated as hedging instruments								
Foreign exchange forwards	Foreign Currency	Other invested assets	**$ 1,057**	**$ —**	**$ (16)**	$ —	$ —	$ —
Derivatives not designated as hedging instruments								
Equity-indexed options	Equity	Other invested assets	**$ 8,587**	**$ 60**	**$ —**	$ 7,452	$ 157	$ —
Foreign exchange forwards	Foreign Currency	Other invested assets	**1,366**	**—**	**(8)**	2,809	7	(12)
Bond futures	Interest Rate	Other invested assets	**1,481**	**1**	**—**	1,504	—	(25)
Cross currency swaps	Foreign Currency	Other invested assets	**17**	**1**	**—**	17	1	—
Interest rate swaps	Interest Rate	Other invested assets	**86**	**—**	**—**	15	1	—
Interest rate options	Interest Rate	Other invested assets	**4,100**	**27**	**—**	—	—	—
Embedded derivatives in:								
Modco arrangement	Interest rate	Reinsurance funds withheld	**—**	**124**	**—**	—	151	—
Indexed annuity and variable annuity product	Interest rate	Policyholders' account balances	**—**	**—**	**(1,018)**	—	—	(907)
			$ 15,637	**$ 213**	**$ (1,026)**	$ 11,797	$ 317	$ (944)

Derivatives Designated as Hedging Instruments

The Company has designated and accounted for certain foreign exchange forwards as fair value hedges to protect a portion of available-for-sale fixed maturity securities against changes in fair value due to changes in exchange rates.

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

The following represents the carrying amount and cumulative fair value hedging adjustments for items designated and qualifying as hedged items in fair value hedges:

US$ MILLIONS	**September 30, 2023**		December 31, 2022	
Location in the Consolidated Statements of Financial Position	**Carrying Amount of the Hedged Assets**	**Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets**	Carrying Amount of the Hedged Assets	Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets
Available-for-sale fixed maturity securities	**$ 1,430**	**$ 36**	$ —	$ —

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

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	**Three Months Ended**		**Nine Months Ended**	
Location in the Consolidated Statements of Operations	**2023**	2022	**2023**	2022
Investment related gains (losses), net				
Hedged items	**$ 39**	$ —	**$ 39**	$ —
Derivatives designated as hedging instruments	**(34)**	—	**(34)**	—
Net	**$ 5**	$ —	**$ 5**	$ —

Derivatives Not Designated as Hedging Instruments

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Locations in the Consolidated Statements of Operations	Gains (Losses) Recognized in Income on Derivatives			
		Three Months Ended		Nine Months Ended	
		2023	2022	**2023**	2022
Equity-indexed options	Investment related gains (losses), net	**$ (85)**	$ (66)	**$ 8**	$ (126)
Foreign exchange forwards	Investment related gains (losses), net	**2**	(79)	**39**	26
Bond futures	Investment related gains (losses), net	**(5)**	92	**(14)**	88
Interest rate swaps	Investment related gains (losses), net	**(1)**	—	**(1)**	—
Interest rate options	Investment related gains (losses), net	**78**	—	**78**	—
Warrants	Investment related gains (losses), net	**—**	3	**—**	3
Embedded derivatives in:					
Modco arrangement	Net investment results from funds withheld	**(2)**	93	**(12)**	105
Indexed annuity and variable annuity product	Interest sensitive contract benefits	**66**	79	**27**	(11)
		$ 53	$ 122	**$ 125**	$ 85

Derivative Exposure

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

Information regarding the Company's exposure to credit loss on the derivatives it holds is presented below:

AS AT SEP. 30, 2023 US$ MILLIONS **Derivative Type**	**Derivative Fair Value**	**Collateral Held in Cash**	**Collateral Held in Invested Assets**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Equity-indexed options	$ 235	$ 165	$ 21	$ 186	$ 175	$ 11	$ 60
Foreign exchange forwards	(8)	—	—	—	—	—	(8)
Bond futures	1	—	—	—	—	—	1
Cross currency swaps	1	—	—	—	—	—	1
Interest rate options	27	—	—	—	—	—	27
	$ 256	**$ 165**	**$ 21**	**$ 186**	**$ 175**	**$ 11**	**$ 81**

1. Our PRT business had no collateral held in cash and invested assets as at September 30, 2023 that are not offset against its derivative contracts.

AS AT DEC. 31, 2022 US$ MILLIONS **Derivative Type**	**Derivative Fair Value**	**Collateral Held in Cash[1]**	**Collateral Held in Invested Assets[1]**	**Total Collateral Held**	**Collateral Amounts Used to Offset Exposure**	**Excess Collateral**	**Exposure Net of Collateral**
Equity-indexed options	$ 157	$ 101	$ 20	$ 121	$ 121	$ —	$ 36
Foreign exchange forwards	(5)	—	—	—	—	—	(6)
Bond futures	(25)	—	—	—	—	—	(25)
Cross currency swaps	1	—	—	—	—	—	1
Interest rate swaps	1	—	—	—	—	—	1
	$ 129	**$ 101**	**$ 20**	**$ 121**	**$ 121**	**$ —**	**$ 7**

1. Our PRT business had $81 million collateral held in cash and invested assets as at December 31, 2022 that are not offset against its derivative contracts.

NOTE 10. NET INVESTMENT INCOME AND REALIZED INVESTMENT GAINS

Net investment income is shown below:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Available-for-sale fixed maturity securities	**$ 206**	$ 180	**$ 626**	$ 287
Equity securities	**11**	—	**11**	—
Mortgage loans	**80**	87	**229**	120
Private loans	**11**	5	**46**	22
Short-term investments	**33**	20	**171**	17
Investment funds	**58**	8	**122**	33
Policy loans	**11**	8	**11**	8
Equity accounted investments	**—**	28	**—**	78
Real estate and other invested assets	**32**	58	**66**	80
Total net investment income	**$ 442**	$ 394	**$ 1,282**	$ 645

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

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Available-for-sale fixed maturity securities	**$ (22)**	$ (46)	**$ (90)**	$ (102)
Equity securities	**(69)**	(123)	**87**	(148)
Mortgage loans	**10**	(2)	**(2)**	(46)
Private loans	**—**	(6)	**(3)**	(6)
Short-term investments and other invested assets	**(1)**	(41)	**112**	(23)
Total investment related gains (losses), net	**$ (82)**	$ (218)	**$ 104**	$ (325)

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

AS AT US$ MILLIONS	**September 30, 2023**		December 31, 2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Available-for-sale fixed maturity securities	**$ 14,732**	**$ 14,732**	$ 16,316	$ 16,316
Equity securities	**2,031**	**2,031**	1,253	1,253
Mortgage loans on real estate, net of allowance	**5,919**	**5,587**	5,888	5,637
Private loans, net of allowance	**1,704**	**1,713**	1,144	1,086
Policy loans	**383**	**383**	374	374
Short-term investments	**3,328**	**3,328**	2,402	2,402
Other invested assets				
Derivative assets	**89**	**89**	44	44
Separately managed accounts	**122**	**122**	127	127
Other	**55**	**38**	40	40
Reinsurance funds withheld	**7,176**	**7,176**	5,812	5,812
Separate account assets [1]	**1,090**	**1,090**	1,045	1,045
Total financial assets	**$ 36,629**	**$ 36,289**	$ 34,445	$ 34,136
Financial liabilities				
Policyholders' account balances – embedded derivative	**$ 1,018**	**$ 1,018**	$ 907	$ 907
Market risk benefits	**184**	**184**	124	124
Other liabilities				
Derivative liabilities	**24**	**24**	38	38
Funds withheld liabilities	**18**	**18**	10	10
Notes payable	**170**	**170**	151	151
Corporate and Subsidiary Borrowings	**2,737**	**2,695**	3,652	3,625
Separate account liabilities[1]	**1,090**	**1,090**	1,045	1,045
Total financial liabilities	**$ 5,241**	**$ 5,199**	$ 5,927	$ 5,900

1. Balance includes $32 million and $33 million of assets, and corresponding liabilities, that are not subject to fair value hierarchy as at September 30, 2023 and December 31, 2022, respectively.

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

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

Valuation Techniques for Financial Instruments Recorded at Fair Value

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

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

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

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

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

Equity Securities — For publicly-traded equity securities, prices are received from a nationally recognized pricing service that are based on observable market transactions, and these securities are classified as Level 1 measurements. For certain preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for available-for-sale fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. The Company tests the accuracy of the information provided by reference to other services annually.

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

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

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

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

No gains or losses were recognized on assets transferred to separate accounts for the three and nine months ended September 30, 2023 and 2022, respectively.

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

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

Derivative Assets/Derivative Liabilities

- Foreign currency forward contracts — discounted cash flow model — forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate.
- Interest rate contracts - discounted cash flow model - forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.

- Warrants – intrinsic value based on the difference between strike prices and the unadjusted quoted prices of underlying equity investments in active markets.
- Equity-index options – inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

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

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

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown below are the significant unobservable inputs used to calculate the Level 3 fair value of the embedded derivatives within policyholder contract deposits (in millions, except range percentages):

AS AT US$ MILLIONS	**Fair Value**		**Unobservable Input**
	September 30, 2023	December 31, 2022	
Embedded derivative			
Indexed Annuities and indexed life	**$ 825**	$ 726	Lapse Rate Mortality Multiplier Equity Volatility

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

Equity-Index Options — Certain over-the-counter equity options are valued using models that are widely accepted in the financial services industry with non-market observable inputs such as volatility and forward price/dividend assumptions. Other primary inputs include interest rate assumptions (risk-free rate assumptions), and underlying equity quoted index prices for identical or similar assets in markets that exhibit less liquidity relative to those markets.

Available-for-sale fixed maturity Securities — These bonds use cost as the best estimate of fair value. They are valued at cost because the value would not change unless there is a fundamental deterioration in the portfolio. There is no observable market valuation price or third-party sources that provide market values for these securities since they are not publicly traded. The common and preferred stock are valued at market transaction, option pricing method, or guideline public company method based on the best available information.

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

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at September 30, 2023			
US$ MILLIONS	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 126	$ 79	$ 47	$ —
U.S. states and political subdivisions	726	—	726	—
Foreign governments	514	—	514	—
Corporate debt securities	12,204	—	10,489	1,715
Residential mortgage-backed securities	118	—	118	—
Commercial mortgage-backed securities	442	—	412	30
Collateralized debt securities	602	—	585	17
Total fixed maturity, available-for-sale	**14,732**	**79**	**12,891**	**1,762**
Equity securities				
Common stock	1,401	1,252	—	149
Preferred stock	115	33	—	82
Private equity and other	515	—	—	515
Total equity securities	**2,031**	**1,285**	**—**	**746**
Short-term investments	3,328	2,527	6	795
Other invested assets:				
Derivative assets	89	1	88	—
Separately managed accounts	122	—	—	122
Reinsurance funds withheld	7,176	—	7,176	—
Separate account assets	1,058	358	700	—
Total financial assets	**$ 28,536**	**$ 4,250**	**$ 20,861**	**$ 3,425**
Financial liabilities				
Policyholders' account balances – embedded derivative	1,018	—	193	825
Market risk benefit	184	—	—	184
Other liabilities:				
Derivative liabilities	24	—	24	—
Funds withheld liabilities	18	—	18	—
Separate account liabilities	1,058	358	700	—
Total Financial liabilities	**$ 2,302**	**$ 358**	**$ 935**	**$ 1,009**

US$ MILLIONS	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale fixed maturity securities				
U.S. treasury and government	$ 110	$ 40	$ 70	$ —
U.S. states and political subdivisions	855	—	855	—
Foreign governments	318	—	318	—
Corporate debt securities	13,491	—	13,045	446
Residential mortgage-backed securities	127	—	127	—
Commercial mortgage-backed securities	408	—	408	—
Collateralized debt securities	1,007	—	561	446
Total fixed maturity, available-for-sale	16,316	40	15,384	892
Equity securities				
Common stock	1,156	989	—	167
Preferred stock	75	36	—	39
Private equity and other	22	—	—	22
Total equity securities	1,253	1,025	—	228
Short-term investments	2,402	1,160	—	1,242
Other invested assets:				
Derivative assets	44	—	43	1
Separately managed accounts	127	—	—	127
Reinsurance funds withheld	5,806	—	5,806	—
Separate account assets	1,012	313	699	—
Total financial assets	$ 26,960	$ 2,538	$ 21,932	$ 2,490
Financial liabilities				
Policyholders' account balances – embedded derivative	907	—	181	726
Market risk benefit	124	—	—	124
Other liabilities:				
Derivative liabilities	38	25	13	—
Funds withheld liabilities	10	—	10	—
Separate account liabilities	1,012	313	699	—
Total Financial liabilities	$ 2,091	$ 338	$ 903	$ 850

Fair Value Information About Financial Instruments Not Recorded at Fair Value

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

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

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

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

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

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

AS AT SEP. 30, 2023 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,919	$ 5,587
Private loans, net of allowance	3	1,704	1,713
Policy loans	3	383	383
Other invested assets, excluding derivatives and separately managed accounts	3	48	31
Total financial assets		**$ 8,054**	**$ 7,714**
Financial liabilities			
Corporate and subsidiary borrowings	3	$ 2,737	$ 2,695
Notes payable	3	170	170
Total financial liabilities		**$ 2,907**	**$ 2,865**

AS AT DEC. 31, 2022 US$ MILLIONS	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	3	$ 5,888	$ 5,637
Private loans, net of allowance	3	1,144	1,086
Policy loans	3	374	374
Other invested assets, excluding derivatives and separately managed accounts	3	127	127
Total financial assets		$ 7,533	$ 7,224
Financial liabilities			
Corporate and subsidiary borrowings	3	$ 3,652	$ 3,625
Notes payable	3	151	151
Total financial liabilities		$ 3,803	$ 3,776

For financial assets measured at fair value on a recurring basis using Level 3 inputs during the period, a reconciliation of the beginning and ending balances is shown below:

	Assets			Liabilities
FOR THE THREE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Investment Securities	Derivative Assets	Separately Managed Accounts	Derivative Liabilities
Balance, beginning of period	$ 3,982	$ 8	$ 127	$ 809
Fair value changes in net income	(2)	(21)	—	—
Net change included in interest sensitive contract benefits	—	—	—	(23)
Fair value changes in other comprehensive income	316	—	(1)	—
Purchases	761	68	14	—
Sales	(1,754)	—	(18)	—
Settlements or maturities	—	(55)	—	—
Premiums less benefits	—	—	—	39
Balance, end of period	**$ 3,303**	**$ —**	**$ 122**	**$ 825**

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Assets			Liabilities
	Investment Securities	**Derivative Assets**	**Separately Managed Accounts**	**Derivative Liabilities**
Balance, beginning of period	$ 2,362	$ 1	$ 127	$ 726
Fair value changes in net income	(293)	(37)	(1)	—
Net change included in interest sensitive contract benefits	—	—	—	49
Fair value changes in other comprehensive income	393	—	(1)	—
Purchases	2,928	129	26	—
Sales	(2,096)	—	(29)	—
Settlements or maturities	—	(93)	—	—
Premiums less benefits	—	—	—	50
Transfers into Level 3	30	—	—	—
Transfers out of Level 3	(21)	—	—	—
Balance, end of period	**$ 3,303**	**$ —**	**$ 122**	**$ 825**

FOR THE THREE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Assets			Liabilities
	Investment Securities	**Derivative Assets**	**Separately Managed Accounts**	**Derivative Liabilities**
Balance, beginning of period	$ 842	$ —	$ 118	$ 724
Fair value changes in net income	(1)	—	—	—
Net change included in interest sensitive contract benefits	—	—	—	(67)
Fair value changes in other comprehensive income	—	(25)	—	—
Purchases	611	32	16	—
Sales	(4)	—	(8)	—
Settlements or maturities	—	(7)	—	—
Premiums less benefits	—	—	—	14
Balance, end of period	**$ 1,448**	**$ —**	**$ 126**	**$ 671**

FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Assets			Liabilities
	Investment Securities	**Derivative Assets**	**Separately Managed Accounts**	**Derivative Liabilities**
Balance, beginning of period	$ 109	$ —	$ —	$ —
Acquisitions from business combination	373	3	113	745
Fair value changes in net income	—	(9)	—	—
Net change included in interest sensitive contract benefits	—	—	—	(91)
Fair value changes in other comprehensive income	(1)	(25)	—	—
Purchases	994	41	27	—
Sales	(7)	—	(14)	—
Settlements or maturities	—	(10)	—	—
Premiums less benefits	—	—	—	17
Transfers out of Level 3	(20)	—	—	—
Balance, end of period	**$ 1,448**	**$ —**	**$ 126**	**$ 671**

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

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

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

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

NOTE 12. SEPARATE ACCOUNT ASSETS AND LIABILITIES

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

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	2023	2022
Balance, beginning of period	**$ 1,045**	$ —
Additions (deductions)		
Acquisition from business combination	**—**	1,123
Policyholder deposits	**59**	26
Net investment income	**18**	9
Net realized capital gains on investments	**78**	(108)
Policyholder benefits and withdrawals	**(96)**	(39)
Net transfer from separate account	**(6)**	(5)
Policy charges	**(8)**	(3)
Total changes	**45**	1,003
Balance, end of period	**$ 1,090**	$ 1,003

NOTE 13. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The following table presents a rollforward of deferred acquisition costs and value of business acquired for the periods indicated:

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ 661	$ 925	**$ 1,586**
Additions	648	518	**1,166**
Amortization	(398)	(52)	**(450)**
Net change	250	466	**716**
Balance, end of period	**$ 911**	**$ 1,391**	**$ 2,302**

FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ —	$ 710	$ 710
Acquisition from business combinations and additions	797	201	998
Amortization	(168)	(38)	(206)
Net change	629	163	792
Balance, end of period	**$ 629**	**$ 873**	**$ 1,502**

The following table presents a rollforward of VOBA for the periods indicated:

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS		VOBA Asset
Balance, beginning of period	$	404
Additions		36
Amortization		(63)
Balance, end of period	**$**	**377**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS		VOBA Asset
Balance, beginning of period	$	—
Acquisition from business combination		538
Amortization		(88)
Net change		450
Balance, end of period	**$**	**450**

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

Years		**VOBA Asset**
2023	$	8
2024		31
2025		27
2026		25
2027		22
Thereafter		264
Total amortization expense	**$**	**377**

NOTE 14. ACQUISITION OF BUSINESS

On May 25, 2022, the Company acquired American National. American National offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Under the terms of the Merger Agreement, the Company acquired 100% of all American National issued and outstanding shares in exchange for $190 per share, which is equivalent to $5.1 billion. The consideration was all cash. The Company acquired all assets and assumed all liabilities of American National as of the closing date, and consolidates the business for financial statement purposes. The acquired business contributed revenues of $223 million and net profit of $16 million to the Company for the period from May 25 to June 30, 2022.

As part of re-assessing the final valuations of certain assets, such as intangible assets and goodwill, and certain liabilities, the Company recognized measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Measurement period adjustments consist primarily with a decrease of $37 million to property and equipment, a decrease of $16 million to value of business acquired, an increase of $19 million to goodwill, a decrease of $29 million to future policy benefits, and a decrease of $5 million to other liabilities. The valuation has been finalized in the second quarter of 2023 as follows:

Assets acquired	
Cash and cash equivalents	$ 1,021
Investments	22,519
Accrued investment income	101
Reinsurance recoverables	45
Premiums due and other receivables	437
Deferred tax assets	374
Property and equipment	138
Prepaid pension	149
Equity accounted investment	1,402
Deferred acquisition costs and value of business acquired	555
Reinsurance assets	410
Investment properties	541
Other assets	198
Separate account assets	1,123
Total assets acquired	**29,013**
Liabilities assumed	
Future policy benefits	5,304
Policyholders' account balances	13,880
Policy and contract claims	1,706
Unearned premium reserve	1,073
Other policyholder funds	324
Notes payable	158
Other liabilities	449
Separate account liabilities	1,123
Total liabilities assumed	**24,017**
Less: Non-controlling interest	**(10)**
Net assets acquired	**4,986**
Goodwill	**$ 121**

NOTE 15. ASSETS HELD FOR SALE

In June 2023, the Company finalized an agreement to sell its health insurance business to a third party. The business is being acquired by a third party for cash through the acquisition of 100% of the stock of one wholly-owned subsidiaries and certain reinsurance transactions. The completion of the transaction will be conditional upon obtaining the required regulatory approvals and is expected to close in the fourth quarter of 2023.

The carrying amounts of the major classes of assets and liabilities classified as held-for-sale are shown below:

AS AT SEP. 30, 2023 US$ MILLIONS		**2023**
Cash and cash equivalents	$	13
Accrued investment income		8
Reinsurance recoverables		186
Premiums due and other receivables		43
Other assets		11
Total assets		**261**
Policy and contract claims		189
Other liabilities		56
Total liabilities	**$**	**245**

There were no assets held for sale as at December 31, 2022.

NOTE 16. FUTURE POLICY BENEFITS

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

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS		**2023**		2022
Future policy benefits				
Direct Insurance	**$**	**2,874**	$	3,136
Pension Risk Transfer		**3,619**		2,964
Deferred profit liability				
Direct Insurance		**68**		24
Pension Risk Transfer		**219**		187
Other contracts and VOBA liability		**1,797**		1,700
Total future policy benefits	**$**	**8,577**	$	8,011

a. Future Policy Benefits

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

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Balance, beginning of period	$ 3,775	$ —	**$ 3,775**
Beginning balance at original discount rate	4,087	—	**4,087**
Effect of changes in cash flow assumptions	25	—	**25**
Effect of actual variances from expected experience	(36)	—	**(36)**
Adjusted beginning of period balance	4,076	—	**4,076**
Issuances	88	926	**1,014**
Interest accrual	95	7	**102**
Net premiums collected	(328)	(934)	**(1,262)**
Derecognitions (lapses and withdrawals)	(27)	1	**(26)**
Ending balance at original discount rate	3,904	—	**3,904**
Effect of changes in discount rate assumptions	(452)	—	**(452)**
Balance, end of period	$ 3,452	$ —	**$ 3,452**
Present value of expected future policy benefits			
Balance, beginning of period	$ 6,909	$ 2,966	**$ 9,875**
Beginning balance at original discount rate	7,546	3,307	**10,853**
Effect of changes in cash flow assumptions	26	(9)	**17**
Effect of actual variances from expected experience	(34)	(14)	**(48)**
Adjusted beginning of period balance	7,538	3,284	**10,822**
Issuances	88	930	**1,018**
Interest accrual	175	114	**289**
Benefit payments	(536)	(210)	**(746)**
Derecognitions (lapses and withdrawals)	(27)	1	**(26)**
Foreign currency translation	—	(10)	**(10)**
Ending balance at original discount rate	7,238	4,109	**11,347**
Effect of changes in discount rate assumptions	(912)	(493)	**(1,405)**
Effect of foreign currency translation on the effect of changes in discount rate assumptions	—	3	**3**
Balance, end of period	6,326	3,619	**9,945**
Net liability for future policy benefits	**2,874**	**3,619**	**6,493**
Less: Reinsurance recoverables	(62)	(53)	**(115)**
Net liability for future policy benefits, after reinsurance recoverable	**$ 2,812**	**$ 3,566**	**$ 6,378**

AS AT SEP. 30, 2023	Direct Insurance	Pension Risk Transfer
Weighted-average liability duration of future policy benefits (years)	13	9

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Present value of expected net premiums			
Acquisition from business combination	$ 4,188	$ —	$ 4,188
Issuances	84	1,391	1,475
Interest accrual	29	13	42
Net premiums collected	(148)	(1,404)	(1,552)
Ending balance at original discount rate	4,153	—	4,153
Effect of changes in discount rate assumptions	(378)	—	(378)
Balance, end of period	$ 3,775	$ —	$ 3,775
Present value of expected future policy benefits			
Balance, beginning of period	$ —	$ 2,171	$ 2,171
Beginning balance at original discount rate	—	2,071	2,071
Effect of actual variances from expected experience	—	(9)	(9)
Adjusted beginning of period balance	—	2,062	2,062
Acquisition from business combination	7,665	—	7,665
Issuances	84	1,420	1,504
Interest accrual	53	69	122
Benefit payments	(188)	(109)	(297)
Foreign currency translation	—	(284)	(284)
Ending balance at original discount rate	7,614	3,158	10,772
Effect of foreign currency translation on the effect of changes in discount rate assumptions	—	(28)	(28)
Effect of changes in discount rate assumptions	(766)	(290)	(1,056)
Balance, end of period	$ 6,848	$ 2,840	$ 9,688
Net liability for future policy benefits	3,073	2,840	5,913
Less: Reinsurance recoverables	(67)	(90)	(157)
Net liability for future policy benefits, after reinsurance recoverable	$ 3,006	$ 2,750	$ 5,756

AS AT SEP. 30, 2022	Direct Insurance	Pension Risk Transfer
Weighted-average liability duration of future policy benefits (years)	13	9

The amount of undiscounted expected gross premiums and expected future benefit payments follows:

AS AT SEP. 30 US$ MILLIONS	2023		2022	
	Undiscounted	**Discounted**	Undiscounted	Discounted
Direct Insurance				
Expected future benefit payments	**$ 14,442**	**$ 6,326**	$ 14,503	$ 6,848
Expected future gross premiums	**9,400**	**4,602**	9,536	4,886
Pension Risk Transfer				
Expected future benefit payments	**6,348**	**3,619**	4,805	2,840
Expected future gross premiums	**—**	**—**	—	—
Total				
Expected future benefit payments	**20,790**	**9,945**	19,308	9,688
Expected future gross premiums	**9,400**	**4,602**	9,536	4,886

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

FOR THE THREE MONTHS ENDED SEP. 30 US$ MILLIONS	Gross Premiums or Assessments		Interest Expense	
	2023	2022	**2023**	2022
Direct Insurance	**$ 160**	$ 117	**$ 52**	$ 19
Pension Risk Transfer	**280**	1,391	**43**	62

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	Gross Premiums or Assessments		Interest Expense	
	2023	2022	**2023**	2022
Direct Insurance	**$ 452**	$ 164	**$ 126**	$ 24
Pension Risk Transfer	**955**	2,628	**80**	77

The weighted-average interest rate follows:

FOR THE NINE MONTHS ENDED SEP. 30	**2023**	2022
Direct Insurance		
Interest accretion rate	**5 %**	4 %
Current discount rate	**6 %**	5 %
Pension Risk Transfer		
Interest accretion rate	**4 %**	4 %
Current discount rate	**6 %**	5 %

b. Deferred Profit Liability

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

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

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

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of period	$ 24	$ 187	**$ 211**
Effect of changes in cash flow assumptions	—	9	**9**
Effect of actual variances from expected experience	1	12	**13**
Adjusted beginning of period balance	25	208	**233**
Profits deferred	43	18	**61**
Interest accrual	1	6	**7**
Amortization	(1)	(13)	**(14)**
Balance, end of period	**$ 68**	**$ 219**	**$ 287**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Pension Risk Transfer	Total
Balance, beginning of period	$ —	$ 158	**$ 158**
Effect of actual variances from expected experience	—	10	**10**
Adjusted beginning of period balance	—	168	**168**
Profits deferred	12	30	**42**
Interest accrual	—	5	**5**
Amortization	—	(8)	**(8)**
Foreign currency translation	—	(3)	**(3)**
Balance, end of period	**$ 12**	**$ 192**	**$ 204**

NOTE 17. POLICYHOLDERS' ACCOUNT BALANCES

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

The balances and changes in policyholders' account balances follow.

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ 14,247	$ 5,833	**$ 20,080**
Issuances	4,098	170	**4,268**
Premiums received	323	1,967	**2,290**
Policy charges	(273)	(27)	**(300)**
Surrenders and withdrawals	(1,797)	(182)	**(1,979)**
Interest credited	434	30	**464**
Benefit payments	—	(28)	**(28)**
Other	38	29	**67**
Balance, end of period	**$ 17,070**	**$ 7,792**	**$ 24,862**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period	$ —	$ 4,677	$ 4,677
Acquisition from business combination	13,802	—	13,802
Issuances	734	305	1,039
Premiums received	146	721	867
Policy charges	(131)	(21)	(152)
Surrenders and withdrawals	(463)	(135)	(598)
Interest credited	32	29	61
Benefit payments	—	(20)	(20)
Other	129	(47)	82
Balance, end of period	$ 14,249	$ 5,509	$ 19,758

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the statements of financial position follows.

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	2023	2022
Direct Insurance	**$ 17,070**	$ 14,308
Reinsurance	**7,792**	5,833
Total	**$ 24,862**	$ 20,141

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

AS AT SEP. 30, 2023 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ 2,782	$ 45	$ 442	$ 704	$ —	**$ 3,973**
	1% - 2%	1,051	432	2,161	2,329	—	**5,973**
	2% - 3%	1,290	423	268	3,862	—	**5,843**
	Greater than 3%	930	6	1	1	—	**938**
	Other[1]	—	—	—	—	343	**343**
	Total	$ 6,053	$ 906	$ 2,872	$ 6,896	$ 343	**$ 17,070**
Reinsurance	0% - 1%	$ —	$ 655	$ 237	$ 35	$ —	**$ 927**
	1% - 2%	—	—	18	—	—	**18**
	2% to 3%	—	—	—	—	—	**—**
	Greater than 3%	—	—	—	—	—	**—**
	Other[1]	—	—	—	—	6,847	**6,847**
	Total	$ —	$ 655	$ 255	$ 35	$ 6,847	**$ 7,792**

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

AS AT SEP. 30, 2022 US$ MILLIONS	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 - 50 Basis Points Above	51 - 150 Basis Points Above	> 150 Basis Points Above	Other[1]	Total
Direct Insurance	0% - 1%	$ 3,554	$ 4	$ 639	$ 53	$ —	$ 4,250
	1% - 2%	882	655	2,267	2,593	—	6,397
	2% - 3%	1,441	645	69	4	—	2,159
	Greater than 3%	997	6	1	—	—	1,004
	Other[1]	—	—	—	—	439	439
	Total	$ 6,874	$ 1,310	$ 2,976	$ 2,650	$ 439	$ 14,249
Reinsurance	0% - 1%	$ —	$ 358	$ 193	$ —	$ —	$ 551
	1% - 2%	—	—	9	—	—	9
	2% to 3%	—	—	—	—	—	—
	Greater than 3%	—	—	—	—	—	—
	Other[1]	—	—	—	—	4,949	4,949
	Total	$ —	$ 358	$ 202	$ —	$ 4,949	$ 5,509

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

NOTE 18. MARKET RISK BENEFITS

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

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	$ 44	$ 70	**$ 114**
Effect of changes in the beginning instrument-specific credit risk	26	(28)	**(2)**
Effect of model refinements	—	(12)	**(12)**
Effect of non-financial assumption update	(9)	—	**(9)**
Attributed fees collected	9	23	**32**
Interest accrual	2	2	**4**
Adjustment from deterministic to stochastic	16	(5)	**11**
Effect of experience variance	(10)	(1)	**(11)**
Effect of changes in financial assumptions	(30)	(59)	**(89)**
Effect of changes in the ending instrument-specific credit risk	—	32	**32**
Issuance	—	100	**100**
Balance, end of period, net of reinsurance	**$ 48**	**$ 122**	**$ 170**

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Total
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	$ —	$ 66	$ 66
Acquisition from business combination	172	—	172
Effect of changes in the beginning instrument-specific credit risk	10	(1)	9
Attributed fees collected	3	17	20
Interest accrual	1	1	2
Adjustment from deterministic to stochastic	8	1	9
Effect of experience variance	(3)	3	—
Effect of changes in financial assumptions	(100)	(61)	(161)
Effect of changes in the ending instrument-specific credit risk	(44)	20	(24)
Issuance	2	17	19
Balance, end of period, net of reinsurance	$ 49	$ 63	$ 112

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

AS AT SEP. 30, 2023 AND DEC. 31, 2022 US$ MILLIONS	**2023**			2022		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Direct insurance	$ 14	$ (62)	$ (48)	$ 10	$ (54)	$ (44)
Reinsurance	—	(122)	(122)	—	(70)	(70)
Total	**$ 14**	**$ (184)**	**$ (170)**	$ 10	$ (124)	$ (114)

NOTE 19. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for unpaid claims and claim adjustment expenses ("claims") for health and property and casualty insurance is included in "Policy and contract claims" in the statements of financial position and is the amount estimated for incurred but not reported ("IBNR") claims and claims that have been reported but not settled. The liability for unpaid claims is estimated based upon American National's historical experience and actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, less anticipated salvage and subrogation. The effects of the changes are included in the statements of operations in the year in which the changes occur. The time value of money is not taken into account for the purpose of calculating the liability for unpaid claims. There have been no significant changes in methodologies or assumptions used to calculate the liability for unpaid claims and claim adjustment expenses.

Information regarding the liability for unpaid claims is shown below:

FOR THE NINE MONTHS ENDED SEP. 30 US$ MILLIONS	**2023**	2022
Unpaid claims balance, beginning	**$ 1,555**	$ —
Less: Reinsurance recoverables	**(305)**	—
Net beginning balance	**1,250**	—
Acquisition from business combination	**—**	1,215
Incurred related to		
Current	**1,227**	510
Prior years	**(25)**	(20)
Total incurred claims	**1,202**	490
Paid claims related to		
Current	**656**	324
Prior years	**432**	123
Total paid claims	**1,088**	447
Net balance	**1,364**	1,258
Add: Reinsurance recoverables	**316**	316
Unpaid claims balance, ending	**$ 1,680**	$ 1,574

The estimates for ultimate incurred claims attributable to insured events of prior years decreased by approximately $25 million and $20 million respectively during the first nine months of 2023 and 2022. The favorable development in 2023 was a reflection of lower-than-anticipated settlement of losses emerging from commercial lines of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at September 30, 2023 and December 31, 2022 was $17 million and $16 million, respectively.

NOTE 20. CORPORATE AND SUBSIDIARY BORROWINGS

The Company and its subsidiaries have bilateral revolving credit facilities backed by third-party financial institutions. The total available amount on the credit facilities is $550 million. The credit facilities bear interest at the specified SOFR, CDOR, or bankers' acceptance rate plus a spread and have a maturity date of June 2028. As at September 30, 2023, $16 million was drawn on the bilateral credit facilities.

The Company has a $1.0 billion 364-day revolving credit facility, maturing in October 2023, for the purpose of temporarily warehousing investments that will ultimately be transferred into our insurance investment portfolios in the near term. The facility borrowings are secured by the underlying investments related to the credit facility drawings. As at September 30, 2023, the facility had $726 million outstanding. The facility has been subsequently extended to October 2024.

The Company also has a $500 million 364-day secured facility, maturing in April 2024. As at September 30, 2023, the facility was fully drawn.

The above noted facilities require the Company to maintain a minimum net worth covenant. As at September 30, 2023, the Company was in compliance with its financial covenants.

The Company also has a revolving credit facility with Brookfield Corporation[1] ("Brookfield") that, as at September 30, 2023, permitted borrowings of up to $400 million. As at September 30, 2023, there were no amounts drawn on the facility.

Subsidiary borrowings of $1.5 billion relate to debt issued at American National. $1.0 billion matures in 2027 and the remaining $500 million matures in 2032.

NOTE 21. INCOME TAXES

For the three and nine months ended September 30, 2023, the effective tax rates on pre-tax income were recoveries of 14% and 2%, respectively. The Company's effective tax rate differed from the statutory tax rate of 18% and 17% for the same respective periods, primarily due to international operations subject to different tax rates.

For the three and nine months ended September 30, 2022, the effective tax rates on pre-tax income were expenses of 19% and 10%, respectively. The Company's effective tax rate differed from the statutory tax rate of 16% for the same respective periods, primarily due to international operations subject to different tax rates.

1. Brookfield Corporation and its subsidiaries , controlled companies, and any investment funds sponsored, managed, or controlled by Brookfield Corporation

NOTE 22. SHARE CAPITAL

As at September 30, 2023 and December 31, 2022, the Company is authorized to issue:

i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of $33.49 per share;

ii. 500,000,000 Exchangeable Class A-1 Limited Non-Voting Shares with a par value of $33.49 per share;

iii. 500,000 Class B Limited Voting Shares with a par value of $33.49 per share;

iv. 1,000,000,000 Class C Non-Voting Shares with a par value of $1 per share;

v. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of $25 per share;

vi. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD$25 per share;

vii. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of $25 per share;

viii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD$25 per share.

The share capital of the Company as at September 30, 2023 and December 31, 2022 comprises the following:

AS AT US$ MILLIONS, EXCEPT SHARE AMOUNTS	**September 30, 2023**			December 31, 2022		
	Number of shares		**Value**	Number of shares		Value
Issued						
Class A exchangeable shares	**10,450,952**	**$**	**447**	9,594,989	$	422
Class B shares	**24,000**		**1**	24,000		1
Class C shares	**102,056,784**		**3,607**	40,934,623		1,467
Class A junior preferred shares	**100,460,280**		**2,663**	100,460,280		2,580

The movement of shares issued and outstanding is as follows:

	2023			
FOR THE PERIODS ENDED SEP. 30	**Redeemable junior preferred shares**	**Class A exchangeable shares**	**Class B shares**	**Class C shares**
Outstanding, January 1	100,460,280	9,594,989	24,000	40,934,623
Issuances	—	1,165,000	—	380,268
Repurchases	—	(309,037)	—	—
Outstanding, June 30	**100,460,280**	**10,450,952**	**24,000**	**41,314,891**
Issuances	**—**	**—**	**—**	60,741,893
Outstanding, September 30	**100,460,280**	**10,450,952**	**24,000**	**102,056,784**

	2022			
FOR THE PERIODS ENDED SEP. 30	Redeemable junior preferred shares	Class A exchangeable shares	Class B shares	Class C shares
Outstanding, January 1	—	10,877,989	24,000	23,544,548
Issuances	98,351,347	—	—	11,270,466
Outstanding, June 30	**98,351,347**	**10,877,989**	**24,000**	**34,815,014**
Changes in the period	—	—	—	—
Outstanding, September 30	**98,351,347**	**10,877,989**	**24,000**	**34,815,014**

At September 30, 2023, there were $151 million of accrued dividends on Class A junior preferred shares (December 31, 2022 – $68 million). The redemption value is equal to the carrying value as of September 30, 2023 and December 31, 2022.

NOTE 23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

FOR THE PERIODS ENDED SEP. 30, 2023 US$ MILLIONS	Unrealized Appreciation (Depreciation) on Investments	Defined Benefit Pension Plan Adjustment	Change in Instrument Specific Credit risk for Market Risk Benefit	Change in Discount Rate for Liability for Future Policyholder	Other	Total
Balance at January 1, 2023	**$ (1,018)**	**$ (4)**	**$ (7)**	**$ 507**	**$ (1)**	**$ (523)**
Other comprehensive income (loss) before reclassifications	105	2	(10)	(118)	(1)	**(22)**
Amounts reclassified to (from) net income	30	1	—	—	—	**31**
Deferred income tax benefit (expense)	(7)	—	—	20	—	**13**
Balance at June 30, 2023	**$ (890)**	**$ (1)**	**$ (17)**	**$ 409**	**$ (2)**	**$ (501)**
Other comprehensive income (loss) before reclassifications	(361)	1	(18)	438	(1)	**59**
Amounts reclassified to (from) net income	22	—	—	—	—	**22**
Deferred income tax benefit (expense)	87	—	4	(116)	—	**(25)**
Balance at September 30, 2023	**$ (1,142)**	**$ —**	**$ (31)**	**$ 731**	**$ (3)**	**$ (445)**

FOR THE PERIODS ENDED SEP. 30, 2022 US$ MILLIONS	Unrealized Appreciation (Depreciation) on Investments	Defined Benefit Pension Plan Adjustment	Change in Instrument Specific Credit risk for Market Risk Benefit	Change in Discount Rate for Liability for Future Policyholder	Other	Total
Balance at January 1, 2022	**$ 35**	**$ (5)**	**$ (1)**	**$ (63)**	**$ 1**	**$ (33)**
Other comprehensive income (loss) before reclassifications	(1,067)	—	13	532	—	**(522)**
Amounts reclassified to (from) net income	—	—	—	—	—	**—**
Deferred income tax benefit (expense)	117	—	—	(120)	(3)	**(6)**
Balance at June 30, 2022	**$ (915)**	**$ (5)**	**$ 12**	**$ 349**	**$ (2)**	**$ (561)**
Other comprehensive income (loss) before reclassifications	(862)	(5)	—	314	(11)	**(564)**
Amounts reclassified to (from) net income	18	—	—	—	—	**18**
Deferred income tax benefit (expense)	125	1	(5)	(67)	(1)	**53**
Balance at September 30, 2022	**$ (1,634)**	**$ (9)**	**$ 7**	**$ 596**	**$ (14)**	**$ (1,054)**

NOTE 24. EARNINGS PER SHARE

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

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS, EXCEPT PER SHARE AMOUNTS AND SHARES	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Net income for the period	**$ 77**	$ 139	**$ 344**	$ 320
Dividends on Class A junior preferred shares	**(28)**	(28)	**(85)**	(39)
	$ 49	$ 111	**$ 259**	$ 281
Attributable to:				
Class A exchangeable and Class B shareholders	**1**	2	**3**	5
Class C shareholders	**47**	105	**253**	274
Non-controlling interests	**1**	4	**3**	2
Earnings per share per class C share - basic	**$ 0.65**	$ 3.03	**$ 4.92**	$ 9.51
Weighted average shares – Class C shares	**71,685,838**	34,815,014	**51,463,427**	28,828,869

NOTE 25. RELATED PARTY TRANSACTIONS

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

a) Brookfield Reinsurance agreements

The Company has an outstanding equity commitment in the amount of $2.0 billion from Brookfield to fund future growth, which the Company may draw on from time to time. As of September 30, 2023, there were no amounts drawn under the equity commitment.

In 2021, the Company entered into a credit agreement with Brookfield as lender for a three-year revolving credit facility which subsequently increased to $400 million in March 2022. As of September 30, 2023, there were no amounts drawn on the credit facilities under this agreement.

The following table reflects the related party agreements and transactions for the nine months ended September 30 in the statements of operations:

FOR THE PERIODS ENDED SEP. 30 US$ MILLIONS	Three Months Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Administration fees with Brookfield	**2.1**	0.6	**5.5**	1.6
Investment management fees to Brookfield Asset Management	**16.4**	14.0	**46.4**	25.0
Outsourcing fees paid to Brookfield	**0.9**	—	**1.8**	0.5
Outsourcing arrangements payable	**0.5**	—	**0.8**	0.2

b) Other related party transactions

On March 10, 2020, Brookfield Annuity Corporation ("BAC") entered into lease and building service arrangements with Brookfield Properties (Canada) Inc. and BPO Ontario Properties Ltd. (collectively, “BPO”), subsidiaries of Brookfield. The amount paid to BPO for the leased office facilities and building maintenance for the nine months ended September 30, 2023 totaled $0.5 million (September 30, 2022 – $0.5 million). As at September 30, 2023, lease liabilities relating to this arrangement were $1 million (September 30, 2022 – $1.5 million).

In the current period, the Company purchased related party investments of $3.0 billion, of which $1.6 billion relates to an investment associated with a Brookfield real estate private fund. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

The Company had $430 million of cash on deposit with wholly-owned subsidiaries of Brookfield as at September 30, 2023 (September 30, 2022 – $40 million).

NOTE 26. SEGMENT REPORTING

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

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

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

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

FOR THE THREE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 741	$ —	$ 278	**$ 1,019**
Other net investment income, including funds withheld	395	109	55	**559**
Segment revenues	1,136	109	333	**1,578**
Policyholder benefits, net	(542)	5	(316)	**(853)**
Other insurance and reinsurance expenses	(282)	(52)	—	**(334)**
Operating expenses excluding transactions costs	(134)	(9)	(5)	**(148)**
Interest expense	(27)	(6)	—	**(33)**
Current income tax (expense) recovery	(19)	—	(3)	**(22)**
Segment DOE	**$ 132**	**$ 47**	**$ 9**	**188**
Depreciation expense				**(23)**
Deferred income tax expense				**31**
Transaction costs				**(7)**
Net investments gains and losses, including funds withheld				**(94)**
Unrealized mark to market within insurance contracts				**—**
Other corporate activities				**(18)**
Net Income				**$ 77**

FOR THE THREE MONTHS ENDED SEP. 30, 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	Total
Net premiums and other policy related revenues	$ 729	$ —	$ 328	$ 1,057
Other net investment income, including funds withheld	271	$ 71	28	370
Segment revenues	1,000	71	356	1,427
Policyholder benefit, net	(452)	—	(347)	(799)
Other insurance and reinsurance expenses	(184)	(47)	—	(231)
Operating expenses excluding transactions costs	(142)	(3)	(3)	(148)
Interest expense	(18)	(5)	—	(23)
Current income tax expense	(32)	—	—	(32)
Segment DOE	$ 172	$ 16	$ 6	194
Depreciation expense				(5)
Deferred income tax expense				(10)
Transaction costs				(2)
Net investments gains and losses, including funds withheld				(133)
Unrealized mark to market within insurance contracts				119
Other corporate activities, net				(24)
Net Income				$ 139

FOR THE NINE MONTHS ENDED SEP. 30, 2023 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	**Total**
Net premiums and other policy related revenues	$ 2,172	$ —	$ 946	**$ 3,118**
Other net investment income, including funds withheld	1,159	278	147	**1,584**
Segment revenues	3,331	278	1,093	**4,702**
Policyholder benefit, net	(1,638)	5	(1,040)	**(2,673)**
Other insurance and reinsurance expenses	(758)	(165)	(5)	**(928)**
Operating expenses excluding transactions costs	(436)	(16)	(15)	**(467)**
Interest expense	(74)	(7)	—	**(81)**
Current income tax expense	(33)	—	(3)	**(36)**
Segment DOE	**$ 392**	**$ 95**	**$ 30**	**517**
Depreciation expense				**(33)**
Deferred income tax expense				**33**
Transaction costs				**(16)**
Net investments gains and losses, including funds withheld				**52**
Unrealized mark to market within insurance contracts				**(147)**
Other corporate activities, net				**(62)**
Net Income				**$ 344**

FOR THE NINE MONTHS ENDED SEP. 30 2022 US$ MILLIONS	Direct Insurance	Reinsurance	Pension Risk Transfer	Total
Net premiums and other policy related revenues	$ 952	$ —	$ 1,447	$ 2,399
Other net investment income, including funds withheld	372	165	86	623
Segment revenues	1,324	165	1,533	3,022
Benefits paid on insurance contracts, net	—	—	—	—
Policyholder benefits, net	(622)	—	(1,512)	(2,134)
Other insurance and reinsurance expenses	(246)	(113)	—	(359)
Changes in deferred acquisition costs	—	—	—	—
Operating expenses excluding transactions costs	(186)	(10)	(9)	(205)
Interest expense	(23)	(16)	—	(39)
Current income tax expense	(31)	—	—	(31)
Segment DOE	$ 216	$ 26	$ 12	254
Depreciation expense				(8)
Deferred income tax expense				(21)
Transaction cost				(26)
Net investment gains and losses, including funds withheld				(26)
Unrealized mark-to-market within insurance contracts				178
Other corporate activities, net				(31)
Net income				$ 320

Our Reinsurance business is focused primarily on the reinsurance of annuity-based products and transacts with direct insurers and other reinsurers. All existing reinsurance contracts are with U.S.-based insurance companies. Total premium revenues recorded within our Reinsurance segment for the nine months ended September 30, 2023 were from transactions with two U.S. ceding companies.

Total premium revenues recorded within our PRT segment for the nine months ended September 30, 2023, and 2022 were from Canadian and U.S. counterparties.

Total premium revenues recorded within our Direct Insurance segment for the nine months ended September 30, 2023 were from transactions with U.S. retail customers.

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

AS AT SEP. 30, 2023 US$ MILLIONS	Reinsurance	Pension Risk Transfer	Direct Insurance	Other[1]	**Total**
Assets	$ 11,605	$ 4,174	$ 34,190	$ 1,208	**$ 51,177**
Liabilities	9,868	3,945	28,771	1,787	**44,371**
Equity and other	1,737	229	5,419	(579)	**6,806**

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

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

NOTE 27. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2023, subsidiaries of the Company had investment commitment agreements with third parties to the maximum of approximately $12.6 billion exclusive of taxes and other operating expenses (December 31, 2022 – $5.4 billion). As at September 30, 2023, the total unfunded commitment amounts were $5.6 billion.

The Company's subsidiary had aggregate commitments at September 30, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.7 billion of which $701 million is expected to be funded in 2023, with the remaining balance of $1.0 billion funded in 2024 and beyond.

In addition, the Company's subsidiary had revolving commitments of $113 million expected to be funded during 2023 and 2024, and outstanding letters of credit in the amount of $479 million as of September 30, 2023.

Federal Home Loan Bank (FHLB) Agreements

The Company has access to the FHLB's financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of September 30, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $9 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of September 30, 2023, the collateral provided borrowing capacity of approximately $657 million. The deposited securities and commercial mortgage loans are included in the Company's statements of financial position within available-for-sale fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Litigation

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

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

NOTE 28. SUBSEQUENT EVENTS

On October 11, 2023, the Company announced that it has commenced its exchange offer (the "Offer") whereby holders of Class A Limited Voting Shares ("BN Shares") of Brookfield Corporation have the opportunity to voluntarily exchange up to 40,000,000 BN Shares for newly-issued Brookfield Reinsurance Shares on a one-for-one basis.