

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

Introduction

This management's discussion and analysis ("MD&A") covers the financial position as of June 30, 2024 and December 31, 2023 and the results of operations for the three and six months ended June 30, 2024 and 2023. Unless the context requires otherwise, when used in this MD&A, the terms "we", "us", "our", or the "Company" means Brookfield Reinsurance Ltd., together with all of its subsidiaries and the term "Brookfield" means Brookfield Corporation, its subsidiaries and controlled companies and any investment fund sponsored, managed or controlled by Brookfield Corporation or its subsidiaries, and does not, for greater certainty, include us or Oaktree Capital Group, LLC and Atlas OCM Holdings, LLC and its subsidiaries.

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

The information in this MD&A should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements ("the financial statements") prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as of June 30, 2024 and December 31, 2023 and for the three and six months ended June 30, 2024 and 2023, as well as the December 31, 2023 audited consolidated financial statements included within the Form 20-F, filed with the SEC on March 28, 2024. Interim operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results expected for the entire year.

Overview of Our Business

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

In May 2024, American Equity Investment Life Holdings Company ("AEL") became a wholly-owned subsidiary of BAM Re Holdings. Following the acquisition of AEL, American National Group, LLC ("American National") completed a downstream merger with AEL. Subsequently, AEL changed its name to American National Group Inc. ("ANGI"). Following this merger, American National and AEL generally maintain independent insurance operations while sharing certain corporate and management activities. As such, we continue to make references, where applicable, to the operating results of American National and AEL separately in this MD&A. For further details of the Company's acquisition of AEL and post-merger reorganization, see Note 16, "Acquisition" of the financial statements.

Our Company is a leading wealth solutions provider, focused on securing the financial futures of individuals and institutions through a range of wealth protection and retirement services, and tailored capital solutions. Our business is presently conducted through our subsidiaries. The principal operating entities of the Company generally maintain their own independent management and infrastructure. Refer to the "Lines of Business" section of the MD&A for further details on our operating segments' businesses.

As a result of the AEL acquisition, diversification in insurance offerings and overall strategic shift, the Company has decided to reorganize and change its internal segments in a manner that caused the composition of its reporting segments to change. Our reporting segments have been realigned in the second quarter of 2024 to: Annuity, Life, Property and Casualty and Corporate and Other. Previously, we reported our operations under the following segments: Direct Insurance, Reinsurance, and Pension Risk Transfer. The Company has restated all applicable comparative information.

At a meeting on July 22, 2024, our company’s shareholders approved bye-law amendments designed to simplify and enhance our capital structure, including a re-designation of our class A-1 exchangeable non-voting shares into class A shares of our company and related changes to the terms of the class A shares that will result in no shareholder having the power to vote more than 9.9% of the class A shares, regardless of economic ownership. The third amended and restated bye-laws became effective on August 9, 2024, with the re-designation occurring on August 29, 2024. Holders of our company’s class A-1 shares do not need to take any action with respect to the re-designation. Once the re-designation is implemented, all previously held class A-1 shares will automatically be re-designated as class A shares and your holdings will be updated accordingly.

Shareholders also approved a resolution authorizing the change of our name from “Brookfield Reinsurance” to “Brookfield Wealth Solutions”. We expect that the name change will be effected on or about September 6, 2024 and that our class A will begin trading on the New York Stock Exchange and Toronto Stock Exchange under the symbol “BNT” at market open as of such date.

Controls and Procedures

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) have evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of June 30, 2024. Based on the evaluation conducted, it was concluded that our disclosure controls and procedures were effective. There were no changes in the Company’s internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Key Financial Data

The following table presents key financial data of the Company:

AS OF AND FOR THE PERIODS ENDED JUN. 30 US\$ MILLIONS	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Total assets	\$ 130,533	\$ 47,994	\$ 130,533	\$ 47,994
Net income (loss)	269	360	606	267
Adjusted Equity ¹	11,384	5,047	11,384	5,047
Distributable Operating Earnings ¹	298	160	577	305

1. Distributable Operating Earnings and Adjusted Equity are Non-GAAP measures. See “Reconciliation of Non-GAAP Measures”.

Operating Results and Financial Review

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the financial results of our business for the three and six months ended June 30, 2024 and 2023:

FOR THE PERIODS ENDED JUN. 30 US\$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Net premiums	\$ 1,516	\$ 1,099	\$ 3,047	\$ 1,899
Other policy revenue	200	103	312	200
Net investment income	1,118	444	1,692	840
Investment related gains (losses)	(114)	222	(70)	92
Net investment results from reinsurance funds withheld	182	106	406	118
Total revenues	2,902	1,974	5,387	3,149
Policyholder benefits and claims incurred	(1,515)	(1,133)	(2,929)	(1,875)
Interest sensitive contract benefits	(422)	(156)	(607)	(243)
Amortization of deferred policy acquisition costs, deferred sales inducements and value of business acquired	(276)	(185)	(501)	(332)
Change in fair value of insurance-related derivatives and embedded derivatives	13	30	57	(39)
Change in fair value of market risk benefits	(168)	14	(199)	8
Other reinsurance expenses	(7)	30	(14)	36
Operating expenses	(461)	(141)	(694)	(315)
Interest expense	(95)	(60)	(167)	(120)
Total benefits and expenses	(2,931)	(1,601)	(5,054)	(2,880)
Net income (loss) before income taxes	(29)	373	333	269
Income tax recovery (expense)	298	(13)	273	(2)
Net income for the period	269	360	606	267
Less: non-controlling interests	(5)	3	(7)	(2)
Net income attributable to shareholders	\$ 264	\$ 363	\$ 599	\$ 265

As a result of the acquisition of AEL and the increase in significance of certain accounts resulting from the consolidation of AEL, certain previously reported amounts have been reclassified to conform to the current financial statement presentation. These reclassifications had no impact on net income (loss) as reported in the statements of operations, as well as total assets, liabilities or equity in the statements of financial position.

Comparison of three months ended June 30, 2024 and 2023

For the three months ended June 30, 2024, we reported net income of \$269 million, compared to a net income of \$360 million in the prior year quarter. The decrease of \$91 million is primarily driven by investment related losses, seasonal weather related losses in our P&C segment, and higher operating expenses in the form of post combination transaction costs associated with the acquisition of AEL, which were partially offset by deferred income tax recovery recognized during the period in relation to corporate income tax regime in Bermuda (see Note 22, "Income Taxes" of the financial statements).

Net premiums and other policy revenue were \$1.7 billion for the three months ended June 30, 2024, compared to \$1.2 billion in the prior year quarter. The increase of \$514 million is primarily due to the contribution of Argo, which closed in the fourth quarter of 2023.

Net investment income increased by \$674 million for the three months ended June 30, 2024, relative to the prior year quarter. Net investment income is comprised of interest and dividends earned on financial instruments, equity investments and other miscellaneous fee income. The increase from the prior year quarter was driven by the growth in our investment portfolio due to the contribution of Argo and AEL, as well as the continued rotation into higher yielding investment strategies.

Investment related gains (losses) decreased by \$336 million relative to the prior year quarter. The decrease is primarily driven by the recognition of a \$48 million accounting loss related to a deemed settlement of a previously held reinsurance agreement between NER SPC and AEL as part of the AEL purchase accounting, coupled with mark-to-market movements on our investments and derivative assets.

Net investment results from reinsurance funds withheld increased by \$76 million for the three months ended June 30, 2024 compared to the prior year quarter. The increase is primarily driven by mark-to-market gains on embedded derivatives arising from our modified coinsurance reinsurance treaties and interest income, partially offset by higher unrealized foreign exchange losses.

Interest sensitive contract benefits represent interest credited to policyholders' account balances ("PAB") from our investment contracts with customers, as well as amortization of deferred revenue. For the three months ended June 30, 2024, the amount increased by \$266 million, due to the assumption of AEL's PAB liabilities.

Amortization of deferred policy acquisition costs, deferred sales inducements and value of business acquired ("VOBA") were \$276 million for the three months ended June 30, 2024, compared to \$185 million in the prior year quarter. The increase of \$91 million was primarily driven by the amortization of VOBA arising from the acquisition of AEL.

Change in fair value of insurance-related derivatives and embedded derivatives represents the fair value change of call options used to fund the equity-indexed annuity and universal life contracts as well as the fair value change of embedded derivatives of these contracts. Fair value changes are impacted by the expected and actual performance of the indices the call options relate to as well as interest rates used to estimate our embedded derivatives. The increase of \$17 million is attributable to movements in equity markets and interest rates.

Change in fair value of market risk benefits represents the mark-to-market movements of our liability based on the protection to the policyholder from capital market risk. The loss of \$168 million for the three months ended June 30, 2024 is primarily due to movements in interest rates used in the valuation of these liabilities coupled with the assumption of AEL's market risk benefit.

Other reinsurance expenses decreased by \$37 million due to the termination of flow business under our reinsurance arrangement in the fourth quarter of 2023, resulting in no inflows of commissions and expenses assumed from the cedant.

Operating expenses were \$461 million for the three months ended June 30, 2024, compared to \$141 million in the prior year quarter, which represents an increase of \$320 million. The increase was primarily driven by the contribution of expenses from Argo and AEL, one-time transaction costs associated with the acquisition of AEL as well as additional costs incurred to support the continued growth of our business.

Interest expense increased by \$35 million for the three months ended June 30, 2024 compared to the prior year quarter. The increase is primarily driven by debt assumed and raised through our acquisition of AEL.

Distributable Operating Earnings ("DOE") increased by \$138 million to \$298 million for the three months ended June 30, 2024. The increase was primarily driven by new business, higher spread earnings and earnings contributions from recent acquisitions.

Comparison of six months ended June 30, 2024 and 2023

For the six months ended June 30, 2024, we reported net income of \$606 million, compared to a net income of \$267 million in the prior year period. The increase of \$339 million is primarily due to growth in our business, redeployment of capital into higher yielding investments and the contribution of Argo and AEL, as well as deferred income tax recovery recognized during the period in relation to corporate income tax regime in Bermuda (see Note 22, "Income Taxes" of the financial statements).

Net premiums and other policy revenue were \$3.4 billion for the six months ended June 30, 2024, compared to \$2.1 billion in the prior year period. The increase of \$1.3 billion is primarily due to the contribution of Argo and new business wins in our life segment.

Net investment income increased by \$852 million for the six months ended June 30, 2024, relative to the prior year period. The increase from the prior year period was driven by the the growth in our investment portfolio due to the contribution from Argo and AEL, coupled with the rotation of the portfolio into higher yielding investment strategies.

We recorded \$70 million of investment related losses for the six months ended June 30, 2024, a decrease of \$162 million over the prior year period, which recognized a \$92 million gain. The decrease is primarily driven by mark-to-market movements on our investments and derivative assets coupled with the recognition of a \$48 million accounting loss related to a a deemed settlement of a previously held reinsurance agreement between NER SPC and AEL as part of the AEL purchase accounting.

Net investment results from reinsurance funds withheld increased by \$288 million for the six months ended June 30, 2024 compared to the prior year period. The increase is primarily driven by mark-to-market gains on embedded derivatives arising from our modified coinsurance reinsurance treaties and interest income, partially offset by higher unrealized foreign exchange losses.

Interest sensitive contract benefits represent interest credited to PAB from our investment contracts with customers, as well as amortization of deferred revenue. For the six months ended June 30, 2024, the amounts increased by \$364 million primarily driven by the assumption of AEL's PAB liabilities.

Amortization of deferred policy acquisition costs, deferred sales inducements and value of business acquired were \$501 million for the six months ended June 30, 2024, compared to \$332 million in the prior year period. The increase of \$169 million was primarily driven by the amortization of VOBA arising from the acquisition of AEL.

Change in fair value of insurance-related derivatives and embedded derivatives represents the fair value change of call options used to fund the equity-indexed annuity and universal life contracts as well as the fair value change of embedded derivatives of these contracts. Fair value changes are impacted by the expected and actual performance of the indices the call options relate to as well as interest rates used to estimate our embedded derivatives. The increase of \$96 million for the six months ended June 30, 2024 is attributable to movements in equity markets and interest rates.

Change in fair value of market risk benefits represents the mark-to-market movements of our liability based on the protection to the policyholder from capital market risk. The loss of \$199 million for the six months ended June 30, 2024 is primarily due to the assumption of AEL's market risk benefit coupled with movements in interest rates used in the valuation of these liabilities.

Other reinsurance expenses decreased by \$50 million due to the termination of flow business under our reinsurance arrangement in the fourth quarter of 2023, resulting in no inflows of commissions and expenses assumed from the cedant.

Operating expenses were \$694 million for the six months ended June 30, 2024, compared to \$315 million in the prior year period, which represents an increase of \$379 million. The increase was primarily driven by the contribution of expenses from Argo and AEL, one-time transaction costs associated with the acquisition of AEL as well as additional costs incurred to support the continued growth of our business.

Interest expense increased by \$47 million for the six months ended June 30, 2024 compared to the prior year period. The increase is primarily driven by debt assumed and raised through our acquisition of AEL, coupled with higher interest rates.

Distributable Operating Earnings ("DOE") increased by \$272 million to \$577 million for the six months ended June 30, 2024. The increase was primarily driven by new business wins, higher spread earnings and earnings contributions from Argo and AEL.

CONSOLIDATED FINANCIAL POSITION

The following table summarizes the financial position as of June 30, 2024 and December 31, 2023:

AS OF US\$ MILLIONS, EXCEPT SHARE DATA	Jun 30, 2024	Dec 31, 2023
Assets		
Investments	\$ 85,117	\$ 39,838
Cash and cash equivalents	14,335	4,308
Reinsurance funds withheld	1,573	7,248
Accrued investment income	781	280
Deferred policy acquisition costs, deferred sales inducements and value of business acquired	10,539	2,468
Premiums due and other receivables	725	711
Ceded unearned premiums	545	401
Deferred tax asset	700	432
Reinsurance recoverables and deposit assets	10,275	3,388
Property and equipment	294	294
Goodwill	751	121
Intangible assets	1,777	235
Other assets	1,855	730
Separate account assets	1,266	1,189
Total assets	130,533	61,643
Liabilities		
Future policy benefits	10,920	9,813
Policyholders' account balances	80,489	24,939
Policy and contract claims	7,397	7,288
Deposit liabilities	1,546	1,577
Market risk benefits	3,276	89
Unearned premium reserve	2,037	2,056
Due to related parties	734	564
Other policyholder funds	343	335
Notes payable	657	174
Corporate borrowings	1,615	1,706
Subsidiary borrowings	2,846	1,863
Funds withheld for reinsurance liabilities	3,526	83
Other liabilities	2,115	1,118
Separate account liabilities	1,266	1,189
Total liabilities	118,767	52,794
Mezzanine equity		
Redeemable junior preferred shares	2,751	2,694
Equity		
Class A exchangeable, Class A-1 exchangeable, Class B and Class C	6,297	5,184
Retained earnings	1,488	945
Accumulated other comprehensive income (loss)	382	(120)
Non-controlling interests	848	146
Total equity	9,015	6,155
Total liabilities, mezzanine equity and equity	\$ 130,533	\$ 61,643

Comparison as of June 30, 2024 and December 31, 2023

Total assets increased by \$68.9 billion during the period to \$130.5 billion, primarily driven by the acquisition of AEL and capital deployment from annuity sales.

Cash and cash equivalents increased by \$10.0 billion from December 31, 2023 to June 30, 2024 primarily driven by the acquisition of AEL. We continue to maintain a strong liquidity position across our segments. For further information, refer to "Liquidity and Capital Resources" section of the MD&A.

Total investments increased by \$45.3 billion from December 31, 2023 to June 30, 2024, primarily driven by the incorporation of AEL's investments.

The decrease in reinsurance funds withheld of \$5.7 billion from December 31, 2023 to June 30, 2024 was primarily driven by the deemed settlement of a previously held reinsurance agreement between NERC SPC and AEL, due to the companies being under common control subsequent to the acquisition of AEL.

DAC are capitalized costs directly related to writing new policyholder contracts. The VOBA intangible asset arising from a business combination is also included as part of this line item. The increase from December 31, 2023 to June 30, 2024 was driven by VOBA resulting from the acquisition of AEL.

Ceded unearned premiums represent a portion of unearned premiums ceded to reinsurers. The increase of \$144 million from December 31, 2023 to June 30, 2024 is primarily driven by additional reinsurance agreements intended to reduce our exposure to products deemed non-core.

Reinsurance recoverables and deposit assets are estimated amounts due to the Company from reinsurers or cedants, related to paid and unpaid ceded benefits, claims and expenses and are presented net of reserves for collectability. The increase of \$6.9 billion from December 31, 2023 to June 30, 2024 was primarily driven by the acquisition of AEL.

Other assets were \$1.9 billion as of June 30, 2024, increasing by \$1.1 billion from December 31, 2023. The balance includes current tax assets, market risk benefit asset, prepaid pension assets, as well as other miscellaneous receivables. The increase is primarily driven by market risk benefit assets arising from the acquisition of AEL, which accounted for \$683 million of the balance.

Intangible assets increased by \$1.5 billion from December 31, 2023 to June 30, 2024, principally due to the approximately \$1.6 billion of intangible assets that arose from the acquisition of AEL.

Goodwill consists of \$630 million arising from the acquisition of AEL in May 2024 as well as \$121 million arising from the acquisition of American National in May 2022.

Separate account assets and liabilities both increased by \$77 million from December 31, 2023 to June 30, 2024, principally due to net realized gains in underlying assets.

Future policy benefits and policyholders' account balances increased by \$56.7 billion from December 31, 2023 to June 30, 2024, primarily driven by the assumption of AEL's PAB liabilities.

Policy and contract claims increased by \$109 million from December 31, 2023 to June 30, 2024 driven by the loss experience of our P&C segment during the period.

Corporate and subsidiary borrowings increased by \$892 million from December 31, 2023 to June 30, 2024 due to the debt assumed and raised through our acquisition of AEL.

Redeemable junior preferred shares, issued to Brookfield in 2022, increased by \$57 million due to accrued dividends during the period.

Total equity increased by \$2.9 billion from December 31, 2023 to June 30, 2024. The increase was primarily driven by approximately \$1.1 billion of Class C shares issued in exchange for class A limited voting shares of Brookfield Asset Management Ltd. stock which were used as purchase consideration in the AEL acquisition, approximately \$713 million in non-controlling interest assumed from AEL and approximately \$543 million in retained earnings due to the growth of the business.

SEGMENT REVIEW

As a result of the AEL acquisition, diversification in insurance offerings and overall strategic shift, the Company has decided to reorganize and change its internal segments in a manner that caused the composition of its reporting segments to change. The Company's reporting segments have been realigned in the second quarter of 2024 to: Annuity, Life, Property and Casualty and Corporate and Other. Previously, the Company reported its operations under the following segments: Direct Insurance, Reinsurance, and Pension Risk Transfer ("PRT").

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

The following table presents DOE of each of our reporting segments for the three and six months ended June 30, 2024 and 2023:

FOR PERIODS ENDED JUN. 30 US\$ MILLIONS	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Annuity	\$ 270	\$ 153	\$ 425	\$ 275
Life	63	41	120	\$ 83
Property and Casualty	37	1	136	\$ 10
Corporate and Other	(72)	(35)	(104)	\$ (63)
Total DOE	\$ 298	\$ 160	\$ 577	\$ 305

Comparison of three months ended June 30, 2024 and 2023

Annuity – DOE within our annuity business represents contribution from both our retail and institutional platforms. DOE increased by \$117 million for the three months ended June 30, 2024 compared to the prior year quarter. The increase is primarily attributable to earnings contributed from AEL as well as increased investment income from our continued deployment into higher yielding investment strategies.

Life – DOE increased by \$22 million for the three months ended June 30, 2024 compared to the prior year quarter. The increase is primarily driven by favorable mortality experience coupled with higher investment income noted in the quarter.

Property and Casualty – DOE increased by \$36 million for the three months ended June 30, 2024 compared to the prior year quarter. The increase was driven by earnings contributed from Argo coupled with improvements in loss experience arising from underwriting actions implemented since the prior year quarter.

Corporate and Other – DOE decreased by \$37 million for the three months ended June 30, 2024 compared to the prior year quarter. The decrease was primarily driven by increases in interest expenses and reduced investment income.

Comparison of six months ended June 30, 2024 and 2023

Annuity – DOE increased by \$150 million for the six months ended June 30, 2024 compared to the prior year period. The increase is primarily attributable to earnings contributed from AEL, the scale-up of our U.S. PRT business as well as increased investment income from our continued deployment into higher yielding investment strategies.

Life – DOE increased by \$37 million for the six months ended June 30, 2024 compared to the prior year period. The increase was driven by cost of funds improvements from favorable mortality experience coupled with improved investment income from our continued deployment into higher yielding investment strategies.

Property and Casualty – DOE increased by \$126 million for the six months ended June 30, 2024 compared to the prior year period. The increase was driven by earnings contributed from Argo coupled with improvements in loss experience arising from underwriting actions implemented since the prior year period.

Corporate and Other – DOE decreased by \$41 million for the six months ended June 30, 2024 compared to the prior year period. The decrease was primarily driven by increases in interest expenses and reduced investment income.

Lines of Business

Through our operating subsidiaries, our company offers a range of retirement services, wealth protection products and tailored capital solutions focused on securing the financial futures of individuals and institutions.

Annuity

Fixed Index Annuities – Fixed index annuities allow policyholders to earn index credits based on the performance of a particular index without the risk of loss of their account value. Certain products offer a premium bonus in which the initial annuity deposit on these policies is increased at issuance by a specified premium bonus rate. Generally, the surrender charge and bonus vesting provisions of our policies are structured such that we have comparable protection from early termination between bonus and non-bonus products. The annuity contract value is equal to the sum of premiums paid, premium bonuses and interest credited (“index credits” for funds allocated to an index based strategy), which is based upon an overall limit (or “cap”) or a percentage (the “participation rate”) of the appreciation (based in certain situations on monthly averages or monthly point-to-point calculations) in a recognized index or benchmark. Caps and participation rates limit the amount of interest the policyholder may earn in any one contract year and may be adjusted by us annually subject to stated minimums.

Fixed Rate Annuities – Fixed rate deferred annuities include annual, multi-year rate guaranteed products (“MYGAs”) and single premium deferred annuities (“SPDAs”). Our annual reset fixed rate annuities have an annual interest rate (the “crediting rate”) that is guaranteed for the first policy year. After the first policy year, we have the discretionary ability to change the crediting rate once annually to any rate at or above a guaranteed minimum rate. Our MYGAs and SPDAs are similar to our annual reset products except that the initial crediting rate on MYGAs is guaranteed for up to five years before it may be changed at our discretion while the initial crediting rate on SPDAs is guaranteed for either three or five years.

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

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

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

Life Insurance

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

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

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

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

Property and Casualty

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

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

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

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

Corporate and Other

Our Corporate and Other segment performs various corporate and other activities that support our core insurance operations. Such activities include our investment warehousing activities where we temporarily warehouse investments that will ultimately be transferred into our insurance investment portfolios in the near term. We generate investment income from warehoused investments as well as interest expenses on revolving credit facilities utilized to fund these investments. Also included in our Corporate and Other segment activities are certain hedging activities, certain charges and activities that are not attributable to our insurance operating segments and interest expense related to the Company’s corporate and subsidiary borrowings.

Liquidity and Capital Resources

CAPITAL RESOURCES

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

AS OF US\$ MILLIONS	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 146	\$ 78
Liquid financial assets	197	212
Undrawn credit facilities	1,120	720
Total Corporate Liquidity¹	\$ 1,463	\$ 1,010

1. See "Performance Measures used by Management".

As of the date of this MD&A, our liquidity is sufficient to meet our present requirements for the foreseeable future. In June 2021, Brookfield provided to the Company an equity commitment in the amount of \$2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of Class C shares or junior preferred shares. As of June 30, 2024, there was \$2.0 billion of undrawn equity commitment available. In addition, in connection with the Spin-off, we entered into a credit agreement with Brookfield as the lender, providing a revolving \$400 million credit facility. We have \$1.2 billion of revolving bi-lateral credit facilities with external banks. We use the liquidity provided by our credit facilities for working capital purposes, and we may use the proceeds from the capital commitment to fund growth capital investments and acquisitions. The determination of which of these sources of funding the Company will access in any particular situation is a matter of optimizing needs and opportunities at that time. As of the date of this MD&A, there was \$505 million drawn on the external bi-lateral facilities and no amount drawn on the Brookfield facility.

Today, we have significant liquidity within our insurance portfolios, giving us flexibility to secure attractive investment opportunities. In addition to a portfolio of highly liquid financial assets, our operating companies have additional access to liquidity from sources such as the Federal Home Loan Bank ("FHLB") programs. As of June 30, 2024, the Company had no drawings and a total of \$1.5 billion undrawn commitment available related to these programs.

Liquidity within our operating subsidiaries may be restricted from time to time due to regulatory constraints. As of June 30, 2024, the Company's total liquidity was \$48.8 billion, which included \$146 million of unrestricted cash and cash equivalents and \$197 million of unrestricted liquid financial assets held by non-regulated corporate entities.

AS OF US\$ MILLIONS	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 14,335	\$ 4,308
Liquid financial assets	33,323	21,927
Undrawn credit facilities	1,120	720
Total Liquidity¹	\$ 48,778	\$ 26,955

1. See "Performance Measures used by Management".

Comparison of six months ended June 30, 2024 and 2023

The following table presents a summary of our cash flows and ending cash balances for the six months ended June 30, 2024 and 2023:

FOR THE SIX MONTHS ENDED JUN. 30 US\$ MILLIONS	2024	2023
Operating activities	\$ 1,439	\$ 762
Investing activities	6,930	(1,560)
Financing activities	1,662	1,545
Cash and cash equivalents:		
Cash and cash equivalents, beginning of period	4,308	2,145
Net change during the period	10,031	747
Foreign exchange on cash balances held in foreign currencies	(4)	1
Cash and cash equivalents, end of period	<u>\$ 14,335</u>	<u>\$ 2,893</u>

Operating Activities

For the six months ended June 30, 2024, we generated \$1.4 billion of cash from operating activities compared to \$762 million generated during the prior year quarter. The increase is primarily due to higher investment income from the growth in the investment portfolio, coupled with the addition of AEL investments.

Investing Activities

During the current period, \$6.9 billion of cash inflows from investing activities arose primarily from \$10.8 billion of cash acquired as part of our acquisition of AEL, net of cash proceeds paid, partially offset by cash outflows for the purchase of real estate partnership in the period, compared to a net deployment of \$1.6 billion in the prior year quarter.

Financing Activities

For the six months ended June 30, 2024, we noted a net cash inflow of \$1.7 billion from our financing activities, compared to a net cash inflow of \$1.5 billion in the prior year period. The increase was primarily driven by deposits received on policyholders' accounts as well as debt raised through our acquisition of AEL, partially offset by increased withdrawals on policyholders' accounts.

Financial Instruments

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

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

As of June 30, 2024, our total equity was \$9.0 billion and our Adjusted Equity was \$11.4 billion. Adjusted Equity represents the total economic equity of our Company through its Class A, A-1, B, and C shares and the redeemable junior preferred shares issued by our Company, excluding our accumulated other comprehensive income. Refer to the discussion on Non-GAAP Measures.

Included in equity and Adjusted Equity was approximately \$190 million invested in Canadian dollars. As of June 30, 2024, we had a notional \$2.5 billion (December 31, 2023 – \$2.9 billion) of foreign exchange forward contracts in place to hedge against foreign currency risk.

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

Future Capital Obligations and Requirements

As of June 30, 2024, subsidiaries of the Company had total unfunded investment commitments of \$6.4 billion (December 31, 2023 – \$5.4 billion). These commitments, when funded, are primarily recognized as mortgage loans, private loans, investment funds, real estate and other invested assets. For additional information, see Note 28, “Financial Commitments and Contingencies” of the financial statements.

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

		Payments due by year						
		Unamortized	Less than	1 - 2	2 -3	3 - 4	4 - 5	More
AS OF JUN. 30, 2024		discount and	1 year	years	years	years	years	than 5
US\$ MILLIONS		issuance costs						years
	Total							
Corporate borrowings	\$ 1,615	—	1,110	—	—	—	505	—
Subsidiary borrowings	\$ 2,846	(62)	—	—	1,900	—	—	1,008

		Payments due by year						
		Unamortized	Less than	1 - 2	2 -3	3 - 4	4 - 5	More
AS OF DEC. 31, 2023		discount and	1 year	years	years	years	years	than 5
US\$ MILLIONS		issuance costs						years
	Total							
Corporate borrowings	\$ 1,706	—	1,276	—	—	—	430	—
Subsidiary borrowings	\$ 1,863	(46)	—	—	—	1,000	—	909

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

Capital Management

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

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

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

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

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

The Company has determined that it is in compliance with all capital requirements as of June 30, 2024 and December 31, 2023.

Brookfield Operating Results

An investment in the Class A and Class A-1 exchangeable shares of the Company is intended to be, as nearly as practicable, functionally and economically, equivalent to an investment in Brookfield. A summary of Brookfield's operating results for the three and six months ended June 30, 2024 and 2023 is provided below:

FOR THE PERIODS ENDED JUN. 30 US\$ MILLIONS	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Revenues	\$ 23,050	\$ 23,668	\$ 45,957	\$ 46,965
Net income attributable to Brookfield shareholders	43	81	145	201
Net income (loss) of consolidated business	(285)	1,512	234	1,936

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

Industry Trends and Factors Affecting Our Performance

As a financial services business providing capital based solutions to the insurance industry, we are affected by numerous factors, including global economic and financial market conditions. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business. We also monitor factors such as consumer spending, business investment, the volatility of capital markets, interest rates, unemployment and the risk of inflation or deflation, which affect the business and economic environment and, in turn, impact the demand for the type of financial and insurance products offered by our business. Refer to "Industry Trends and Factors Affecting Our Performance" included in the MD&A of our most recent annual report of Form 20-F.

Critical Accounting Estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Refer to "Critical Accounting Policy and Estimates" included in the MD&A of our most recent annual report of Form 20-F.

Performance Measures Used by Management

To measure performance, we focus on net income and total assets, as well as certain non-GAAP measures, including DOE, Adjusted Equity, Total Corporate Liquidity and Total Liquidity which we believe are useful to investors to provide additional insights into assets within the business available for redeployment. Refer to the "Segment Review" and "Liquidity and Capital Resources" sections of this MD&A for further discussion on our performance and Non-GAAP measures for the three and six months ended June 30, 2024 and 2023.

Non-GAAP Measures

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

Distributable Operating Earnings

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

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

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

Adjusted Equity

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

Total Corporate Liquidity and Total Liquidity

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

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

Reconciliation of Non-GAAP Measures

The following table reconciles our net income to DOE:

AS OF AND FOR THE PERIODS ENDED JUN. 30 US\$ MILLIONS	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Net income (loss)	\$ 269	\$ 360	\$ 606	\$ 267
Net investment gains and losses, including funds withheld	(24)	(255)	(196)	(75)
Mark-to-market on insurance contracts and other net assets	225	34	290	96
Deferred income tax expense (recovery)	(343)	11	(328)	(2)
Transaction costs	137	5	149	9
Depreciation	34	5	56	10
DOE	\$ 298	\$ 160	\$ 577	\$ 305

The following table reconciles our equity to Adjusted Equity:

AS OF JUN. 30 US\$ MILLIONS	2024	2023
Total equity	\$ 9,015	\$ 1,911
Add:		
Accumulated other comprehensive loss (income)	(382)	501
Redeemable junior preferred shares	2,751	2,635
Adjusted Equity	\$ 11,384	\$ 5,047

Forward-Looking Information

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

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

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