AMERICAN NATIONAL GROUP, LLC
AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Brookfield Asset Management Reinsurance Partners Ltd.)
("Brookfield Reinsurance")

Consolidated Financial Statements

September 30, 2022

AMERICAN NATIONAL GROUP, LLC
(A Wholly-Owned Subsidiary of Brookfield Reinsurance)

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AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(In thousands, except share data)

	Successor	Predecessor
	September 30, 2022	December 31, 2021
ASSETS		
Fixed maturity, bonds held-to-maturity, at amortized cost, net of allowance for credit losses of $13,129 in 2021 (Fair value $7,458,789 in 2021)	$ —	$ 7,088,981
Fixed maturity, bonds available-for-sale, at fair value (Allowance for credit losses of $11,973 in 2022 and $10,310 in 2021) (Amortized cost $14,109,164 in 2022 and $8,107,794 in 2021)	13,126,636	8,380,248
Equity securities, at fair value (Cost $269,567 in 2022 and $94,732 in 2021)	259,001	135,433
Mortgage loans on real estate, net of allowance for credit losses of $36,121 in 2022 and $97,079 in 2021	5,285,583	5,199,334
Policy loans	372,080	365,208
Real estate and real estate partnerships, net of accumulated depreciation of $299,674 in 2022 and $287,387 in 2021	980,593	928,412
Investment funds	1,068,312	961,763
Short-term investments	1,800,683	1,840,732
Other invested assets	145,703	125,795
Total investments	**23,038,591**	**25,025,906**
Cash and cash equivalents	2,141,838	1,930,882
Accrued investment income	202,044	192,913
Reinsurance recoverables, net of allowance for credit losses of $14,553 in 2021	488,132	459,621
Prepaid reinsurance premiums	49,147	47,789
Premiums due and other receivables	440,472	382,562
Deferred policy acquisition costs	370,012	1,498,124
Property and equipment, net of accumulated depreciation of $314,736 in 2022 and $302,936 in 2021	181,373	137,466
Deferred tax asset	582,058	—
Other assets	324,947	324,355
Goodwill	175,759	—
Separate account assets	1,002,715	1,320,703
Total assets	**$ 28,997,088**	**$ 31,320,321**
LIABILITIES		
Future policy benefits		
Life	$ 3,239,478	$ 3,216,626
Annuity	1,802,014	1,598,365
Health	44,390	45,715
Policyholders' account balances	14,248,727	13,879,198
Policy and contract claims	1,780,170	1,692,295
Unearned premium reserve	1,112,080	1,013,830
Other policyholder funds	306,375	379,545
Liability for retirement benefits	71,076	79,089
Long-term debt	1,491,788	—
Notes payable	151,363	149,248
Deferred tax liabilities, net	—	200,510
Current tax payable	—	321,926
Other liabilities	553,368	421,212
Separate account liabilities	1,002,715	1,320,703
Total liabilities	**25,803,544**	**24,318,262**
EQUITY		
American National Group, LLC. stockholders' equity:		
Common stock, $1.00 par value, 100,000 shares authorized, 2,743 shares outstanding in 2022; $0.01 par value, 50,000,000 shares authorized, 26,887,200 shares issued and outstanding in 2021	3	269
Additional paid-in capital	3,805,069	47,762
Accumulated other comprehensive income (loss)	(751,582)	147,054
Retained earnings	132,815	6,799,283
Total American National stockholders' equity	**3,186,305**	**6,994,368**
Noncontrolling interest	7,239	7,691
Total stockholders' equity	**3,193,544**	**7,002,059**
Total liabilities and stockholders' equity	**$ 28,997,088**	**$ 31,320,321**

See accompanying notes to the unaudited condensed consolidated financial statements.

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AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands)

	Successor		Predecessor		
	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
PREMIUMS AND OTHER REVENUES					
Premiums					
Life	$ 113,458	$ 144,690	$ 174,290	$ 104,802	$ 306,365
Annuity	6,076	9,252	10,221	18,698	63,436
Health	32,786	43,091	53,810	36,201	108,914
Property and Casualty	481,015	628,508	741,011	426,887	1,235,778
Other policy revenues	95,797	126,618	158,515	88,687	265,749
Net investment income	262,182	363,193	384,808	261,140	828,520
Net realized investment gains (losses)	(3,604)	(3,100)	21,073	20,138	49,979
(Increase) decrease in investment credit loss	(16,268)	(49,474)	(14,857)	5,969	25,562
Net gains (losses) on equity securities	213	(11,325)	(13,082)	681	267,425
Other income	10,388	13,866	18,887	12,026	32,813
Total premiums and other revenues	**982,043**	**1,265,319**	**1,534,676**	**975,229**	**3,184,541**
BENEFITS, LOSSES AND EXPENSES					
Policyholder benefits					
Life	139,931	177,788	255,482	161,633	447,309
Annuity	19,769	25,342	35,847	29,222	116,662
Claims incurred					
Health	4,986	17,000	35,559	23,935	74,376
Property and Casualty	341,591	468,094	504,131	299,956	824,697
Interest credited to policyholders' account balances	27,038	31,774	52,825	82,251	301,274
Commissions for acquiring and servicing policies	183,534	245,395	264,389	171,219	488,817
Other operating expenses	164,114	229,340	260,193	151,971	435,380
Change in deferred policy acquisition costs	(92,228)	(97,241)	(40,956)	(7,088)	(64,049)
Total benefits, losses and expenses	**788,735**	**1,097,492**	**1,367,470**	**913,099**	**2,624,466**
Income before federal income tax and other items	**193,308**	**167,827**	**167,206**	**62,130**	**560,075**
Less: Provision (benefit) for federal income taxes					
Current	31,729	28,611	56,562	12,624	50,811
Deferred	9,306	5,670	(23,585)	(814)	62,499
Total provision for federal income taxes	**41,035**	**34,281**	**32,977**	**11,810**	**113,310**
Income after federal income tax	**152,273**	**133,546**	**134,229**	**50,320**	**446,765**
Other components of net periodic pension benefit (costs), net of tax	1,034	1,379	(1,625)	917	2,778
Net income	**153,307**	**134,925**	**132,604**	**51,237**	**449,543**
Less: Net income attributable to noncontrolling interest, net of tax	164	2,110	1,554	189	346
Net income attributable to American National	**$ 153,143**	**$ 132,815**	**$ 131,050**	**$ 51,048**	**$ 449,197**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In thousands)

	Successor		Predecessor		
	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
Net income	**$ 153,307**	**$ 134,925**	**$ 132,604**	**$ 51,237**	**$ 449,543**
Other comprehensive income (loss), net of tax					
Change in net unrealized gains (losses) on securities	(494,169)	(749,795)	(620,710)	(46,717)	(103,585)
Foreign currency transaction and translation adjustments	1,546	1,100	312	(297)	122
Defined benefit pension plan adjustment	(3,501)	(2,887)	4,800	2,322	8,452
Total other comprehensive loss, net of tax	**(496,124)**	**(751,582)**	**(615,598)**	**(44,692)**	**(95,011)**
Total comprehensive income (loss)	**(342,817)**	**(616,657)**	**(482,994)**	**6,545**	**354,532**
Less: Comprehensive income attributable to noncontrolling interest	164	2,110	1,554	189	346
Total comprehensive income (loss) attributable to American National	**$ (342,981)**	**$ (618,767)**	**$ (484,548)**	**$ 6,356**	**$ 354,186**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(In thousands, except per share data)

Successor	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance as of May 25, 2022	**$ —**	**$ 3,613,949**	**$ —**	**$ —**	**$ 9,881**	**$ 3,623,830**
Share issuance	3	191,120	—	—	—	191,123
Other comprehensive income	—	—	(255,458)	—	—	(255,458)
Net loss attributable to American National	—	—	—	(20,328)	—	(20,328)
Contributions/Distributions	—	—	—	—	(4,232)	(4,232)
Net income attributable to noncontrolling interest	—	—	—	—	1,945	1,945
Balance as of June 30, 2022	**$ 3**	**$ 3,805,069**	**$ (255,458)**	**$ (20,328)**	**$ 7,594**	**$ 3,536,880**
Other comprehensive income	—	—	(496,124)	—	—	(496,124)
Net income attributable to American National	—	—	—	153,143	—	153,143
Contributions/Distributions	—	—	—	—	(519)	(519)
Net income attributable to noncontrolling interest	—	—	—	—	164	164
Balance as of September 30, 2022	**$ 3**	**$ 3,805,069**	**$ (751,582)**	**$ 132,815**	**$ 7,239**	**$ 3,193,544**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)
(In thousands, except per share data)

Predecessor	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance at January 1, 2022	**$ 269**	**$ 47,762**	**$ 147,054**	**$ 6,799,283**	**$ 7,691**	**$ 7,002,059**
Accretion of restricted stock	—	(707)	—	—	—	(707)
Other comprehensive loss	—	—	(615,598)	—	—	(615,598)
Net income attributable to American National	—	—	—	131,050	—	131,050
Cash dividends to common stockholders (declared per share of $0.82)	—	—	—	(22,048)	—	(22,048)
Contributions/(Distributions)	—	—	—	—	636	636
Net income attributable to noncontrolling interest	—	—	—	—	1,554	1,554
Balance at May 24, 2022	**$ 269**	**$ 47,055**	**$ (468,544)**	**$ 6,908,285**	**$ 9,881**	**$ 6,496,946**

Predecessor	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance at June 30, 2021	**$ 269**	**$ 47,722**	**$ 171,851**	**$ 6,542,202**	**$ 6,994**	**$ 6,769,038**
Amortization of restricted stock	—	20	—	—	—	20
Other comprehensive loss	—	—	(44,692)	—	—	(44,692)
Net income attributable to American National	—	—	—	51,048	—	51,048
Cash dividends to common stockholders (declared per share of $0.82)	—	—	—	(22,048)	—	(22,048)
Contributions/(Distributions)	—	—	—	—	259	259
Net income attributable to noncontrolling interest	—	—	—	—	189	189
Balance at September 30, 2021	**$ 269**	**$ 47,742**	**$ 127,159**	**$ 6,571,202**	**$ 7,442**	**$ 6,753,814**

Predecessor	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance at January 1, 2021	**$ 269**	**$ 47,683**	**$ 222,170**	**$ 6,188,148**	**$ 7,297**	**$ 6,465,567**
Amortization of restricted stock	—	59	—	—	—	59
Other comprehensive loss	—	—	(95,011)	—	—	(95,011)
Net income attributable to American National	—	—	—	449,197	—	449,197
Cash dividends to common stockholders (declared per share of $0.82)	—	—	—	(66,143)	—	(66,143)
Contributions/(Distributions)	—	—	—	—	(201)	(201)
Net income attributable to noncontrolling interest	—	—	—	—	346	346
Balance at September 30, 2021	**$ 269**	**$ 47,742**	**$ 127,159**	**$ 6,571,202**	**$ 7,442**	**$ 6,753,814**

See accompanying notes to the unaudited condensed consolidated financial statements.

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Successor	Predecessor	
	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Nine months ended September 30, 2021
OPERATING ACTIVITIES			
Net income	$ 134,925	$ 132,604	$ 449,543
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment gains	(2,037)	(21,084)	(50,738)
Realized investment losses	8,433	11	13
Unrealized (gains) loss on investments and derivatives	52,593	207,508	(207,560)
Income tax expense	28,611	56,562	50,811
Increase (decrease) in investment credit loss	49,474	14,857	(25,562)
Accretion of premiums, discounts and loan origination fees	(16,909)	7,016	11,254
Net capitalized interest on policy loans and mortgage loans	(9,435)	(12,703)	(24,130)
Depreciation	13,982	15,571	38,211
Interest credited to policyholders' account balances	31,773	52,826	301,274
Charges to policyholders' account balances	(126,619)	(158,514)	(265,749)
Deferred federal income tax expense (benefit)	5,670	(23,585)	62,499
Income from equity method investments	(57,300)	(134,100)	(111,307)
Distributions from unconsolidated affiliates	—	87,924	89,625
Changes in:			
Policyholder liabilities	185,449	76,277	252,913
Deferred policy acquisition costs	(97,240)	(40,956)	(64,049)
Reinsurance payables	(57,481)	3,754	(29,397)
Premiums due and other receivables	(3,010)	(54,900)	(50,082)
Prepaid reinsurance premiums	(3,436)	2,078	(1,294)
Accrued investment income	(101,500)	92,369	8,916
Liability for retirement benefits	(24,341)	(2,283)	11,025
Other, net	102,844	(457,801)	(44,021)
Operating activities affecting cash:			
Realized (gain) loss on investments and derivatives	—	(16,228)	(130,325)
Net cash provided by (used in) operating activities	**114,446**	**(172,797)**	**271,870**
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of:			
Corporate bonds	1,951,462	922,047	1,633,679
Preferred shares	289	67,410	1,500
Commercial paper	5,665,905	11,836,896	15,752,280
Government bonds and treasuries	68,046	56,670	91,837
Real estate and real estate partnerships	3,768	5,375	19,976
Mortgages	458,988	520,249	788,821
Private equity and other	55,989	96,804	382,189
Disposals of property and equipment	21	—	65
Distributions from equity method investments	169,127	160,276	177,812
Payment for the purchase/origination of:			
Corporate bonds	(953,015)	(2,181,407)	(2,586,824)
Preferred shares	(37,824)	(26,899)	(31,798)
Government bonds and treasuries	(5,814)	(8,946)	(60,327)
Real estate and real estate partnerships	—	(2,825)	(8,328)
Mortgages	(689,963)	(489,290)	(464,306)
Private equity and other	(777,622)	(121,831)	(484,746)
Commercial paper	(5,118,620)	(11,352,754)	(15,258,830)

AMERICAN NATIONAL GROUP, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)
(In thousands)

	Successor	Predecessor	
	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Nine months ended September 30, 2021
Additions to property and equipment	(13,085)	(14,837)	(28,003)
Contributions to equity method investments	(214,417)	(125,114)	(490,667)
Change in collateral held for derivatives	(13,599)	(147,240)	(8,946)
Other, net	679	99	2,124
Net cash provided by (used in) investing activities	**550,315**	**(805,317)**	**(572,492)**
FINANCING ACTIVITIES			
Issuance of equity	45,000	—	—
Policyholders' account deposits	904,790	587,664	1,722,108
Policyholders' account withdrawals	(485,451)	(506,159)	(936,976)
Repayment of Federal Home Loan Bank borrowings	—	—	(250,000)
Borrowings from external parties	500,000	11,991	—
Repayment of borrowings to external parties	(500,000)	(2,747)	(3,325)
Debt issuance costs	(5,145)	—	—
Dividends to stockholders	—	(22,048)	(66,143)
Payments to noncontrolling interest	(4,752)	—	(524)
Net cash provided by financing activities	**454,442**	**68,701**	**465,140**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,119,203**	**(909,413)**	**164,518**
Cash and cash equivalents at beginning of the period	1,022,635	1,930,882	339,947
Cash and cash equivalents at end of the period	**$ 2,141,838**	**$ 1,021,469**	**$ 504,465**

See accompanying notes to the unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Operations

American National Group, LLC ("ANAT" or the "Company"), through its consolidated subsidiaries (collectively "American National") offers a broad portfolio of insurance products, including individual and group life insurance, annuities, health insurance, and property and casualty insurance. Business is conducted in all 50 states, the District of Columbia and Puerto Rico.

On August 6, 2021, ANAT entered into an Agreement and Plan of Merger (the "Merger Agreement") with Brookfield Asset Management Reinsurance Partners Ltd. ("Brookfield Reinsurance"), an exempted company limited by shares existing under the laws of Bermuda, and Freestone Merger Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Brookfield Reinsurance ("Merger Sub"). On May 25, 2022 (the "Closing Date" or "Merger Date"), upon the terms and subject to the conditions of the Merger Agreement, Merger Sub merged with and into the Company (the "Merger"), with the Company continuing as the surviving entity, which became an indirect, wholly-owned subsidiary of Brookfield Reinsurance. The Merger was unanimously approved by the Company's board of directors. The Company received the requisite stockholder approval required under Delaware law for the adoption of the Merger Agreement. The Company has ceased being a registrant with the Securities and Exchange Commission as of the Closing Date. Effective September 30, 2022, the Company converted from a Delaware corporation to a Delaware limited liability company.

Note 2 – Summary of Significant Accounting Policies and Practices

The condensed consolidated financial statements and notes thereto have been prepared in conformity with GAAP and are reported in U.S. currency. American National consolidates entities that are wholly-owned and those in which American National owns less than 100% but controls the voting rights, as well as variable interest entities in which American National is the primary beneficiary. Intercompany balances and transactions with consolidated entities have been eliminated. Investments in unconsolidated affiliates, which include real estate partnerships and investment funds, are accounted for using the equity method of accounting. Certain amounts in prior years have been reclassified to conform to current year presentation.

The interim condensed consolidated financial statements and notes should be read in conjunction with the annual consolidated financial statements and notes thereto as of and for the year ended December 31, 2021, which are posted on the Company website at www.americannational.com. The condensed consolidated results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

Based on the criteria outlined in ASC 805, *Business Combinations* the Company was deemed the accounting acquiree in the Merger. As a result of the completed merger with Brookfield Reinsurance, for accounting purposes, our financial statements and notes are presented as "Predecessor" for historical periods prior to the Closing Date and "Successor" for the period after the Closing Date. In accordance with accounting for business combinations, assets and liabilities were adjusted to their fair values as of the Closing Date ("Purchase GAAP Accounting" or "PGAAP"). Additionally, we have elected to apply push-down accounting to reflect the Company's assets and liabilities at fair value. To differentiate between periods, our financial statements and notes include a black line division between columns titled "Predecessor" and "Successor". This black line division has been placed to recognize Purchase GAAP Accounting adjustments were made and the resulting effect on comparability between the two periods.

ASC 805, *Business Combinations* allows for a measurement period of up to 12 months from the Merger date. Accounting for the Merger is not finalized as of September 30, 2022, and is pending completion of purchase accounting. The interim financial statements at September 30, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price will occur before the end of the first quarter of 2023.

The preparation of the consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported consolidated financial statement balances. Actual results could differ from those estimates.

Investments

Investment securities are comprised of bonds classified as available-for-sale that are carried at fair value. In addition, equity investments, other than those accounted for under the equity method or those that result in consolidation of the investee, are measured at fair value with changes in fair value recognized in earnings.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses, and allowances. Accretion of discounts is recorded using the effective yield method. Interest income, prepayment fees, and accretion of discounts and origination fees are reported in “Net investment income” in the consolidated statements of operations. Interest income earned is accrued on the principal amount of the loan based on contractual interest rate. However, interest ceases to accrue for loans on which interest is more than 90 days past due, when the collection of interest is not probable, or when a loan is in foreclosure. Income on past due loans is reported on a cash basis. When a loan becomes current, it is placed back into accrual status. Cash receipts on impaired loans are recorded as a reduction of principal, interest income, expense reimbursement, or other manner in accordance with the loan agreement. In the consolidated statements of operations, gains and losses from the sale of loans are reported in “Net realized investment gains,” and changes in allowances are reported in "(Increase) decrease in investment credit loss."

Mortgage loans are presented net of the Company's recorded allowance for expected credit loss, which represents the portion of amortized cost basis on mortgage loans that the Company does not expect to collect. In determining the Company’s allowance for credit losses, management: (i) pools and evaluates mortgage loans with similar risk characteristics, (ii) considers expected lifetime credit losses adjusted for prepayments and extensions, and (iii) considers past events, current economic conditions and forecasts of future economic conditions. The allowance is calculated quarterly for each property type based on inputs unique to each loan property type.

On an ongoing basis, mortgage loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality), collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is reasonably possible or probable), and reasonably expected troubled debt restructurings (i.e., the Company grants concessions to a borrower that is experiencing financial difficulties) may be evaluated individually for credit loss. The allowance for credit losses for loans evaluated individually is established using the same methodologies for the overall commercial portfolio segment except for collateral dependent loans. The allowance for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan’s underlying collateral, less selling cost when foreclosure is probable. Accordingly, the change in the estimated fair value of collateral dependent loans is recorded as a change in the allowance for credit losses which is recorded on a quarterly basis as a charge or credit to earnings.

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

Investment real estate including related improvements are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 15 to 50 years). Rental income is recognized on a straight-line basis over the term of the respective lease. American National classifies a property as held-for-sale if it commits to a plan to sell a property within one year and actively markets the property in its current condition for a price that is reasonable in comparison to its estimated fair value. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated while it is classified as held-for-sale. American National periodically reviews its investment real estate for impairment and tests properties for recoverability whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and the carrying value of the property exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, with the impairment loss included as an adjustment to “Net realized investment gains” in the consolidated statements of operations. Impairment losses are based upon the estimated fair value of real estate, which is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks as well as other appraisal methods. Real estate acquired upon foreclosure is recorded at the lower of its cost or its estimated fair value at the date of foreclosure.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Real estate joint ventures and other limited partnership interests in which the Company has more than a minor interest or influence over the investee’s operations, but it does not have a controlling interest and is not the primary beneficiary, are accounted for using the equity method. These investments are reported as "Real estate and real estate partnerships” in the consolidated statements of financial position. For certain joint ventures, American National records its share of earnings using a lag methodology of one to three months when timely financial information is not available, and the contractual right does not exist to receive such financial information. In addition to the investees’ impairment analysis of their underlying investments, American National routinely evaluates its investments in those investees for impairments. American National considers financial and other information provided by the investee, other known information, and inherent risks in the underlying investments, as well as future capital commitments, in determining whether impairment has occurred. When an impairment is deemed to have occurred at the joint venture level, American National recognizes its share as an adjustment to “Net investment income” to record the investment at its fair value. When an impairment results from American National’s separate analysis, an adjustment is made through “Net realized investment gains” to record the investment at its fair value.

Investment funds are primarily comprised of senior secured and second lien private loans that are secured by assets, revenues and credit/balance sheet lending. We recognize our share of the fund’s earnings in net investment income on a one-quarter lag under the equity method of accounting. Cash distributions are received from the earnings and from liquidation of underlying investments. All investment funds are reevaluated quarterly by the fund manager and are audited annually by an independent audit firm.

Short-term investments comprised of commercial paper are carried at amortized cost, which approximates fair value. Short-term investments have a maturity of less than one year.

Other invested assets comprised primarily of equity-indexed options are carried at fair value and may be collateralized by counterparties; such collateral is restricted to the Company’s use. Separately managed accounts and Federal Home Loan Bank stock are also included in other invested assets and are carried at cost or market value if available from the account manager. Other invested assets also include tax credit partnerships and mineral rights less allowance for depletion, where applicable.

For fixed maturity securities, available-for-sale, in unrealized loss positions which American National does not intend to sell and for which it is not more-likely-than-not that it will be required to sell before its anticipated recovery, American National assesses whether the amortized cost basis of securities will be recovered by comparing the net present value of the expected cash flows from those securities with its amortized cost basis. Management estimates the expected cash flows using a third-party valuation model similar to that used for held-to-maturity securities. The net present value of the expected cash flows is calculated by discounting management’s best estimate of expected cash flows at the effective interest rate implicit in the fixed maturity security when acquired. If the net present value of the expected cash flows is less than the amortized cost, a credit loss allowance is recorded. The credit loss is recorded as the excess of amortized cost over the net present value of the expected cash flows limited by the amount the fair value is less than the amortized cost (fair-value floor). If the fair value is less than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists which is recorded in other comprehensive income (loss) for the difference between the fair value and the net present value of the expected cash flows.

Additions to or releases of the allowance on all fixed maturity securities are reported in “(Increase) decrease in investment credit loss” in the consolidated statements of operations.

Derivative instruments in the form of equity-indexed options are purchased to hedge against future interest rate increases in liabilities indexed to market rates and are recorded in the consolidated statements of financial position within other invested assets at fair value, net of collateral provided by counterparties. The change in fair value of derivative assets and liabilities is reported in the consolidated statements of operations as “Net investment income” and “Interest credited to policyholders’ account balances,” respectively. American National does not apply hedge accounting treatment to its derivative instruments. The Company uses derivative instruments to hedge its business risk and holds collateral to offset exposure from its counterparties. Collateral that supports credit risk is reported in the consolidated statements of financial position as an offset to “Other invested assets” with an associated payable to “Other liabilities” for excess collateral.

Cash and cash equivalents have durations that do not exceed 90 days at the date of acquisition, include cash on-hand and in banks, as well as amounts invested in money market funds, and are reported as “Cash and cash equivalents” in the consolidated statements of financial position.

Property and equipment consist of buildings occupied by American National, data processing equipment, software, furniture and equipment, and automobiles which are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset (typically 3 to 50 years).

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Insurance specific assets and liabilities

Deferred policy acquisition costs (“DAC”) are capitalized costs related directly to the successful acquisition of new or renewal insurance contracts. Significant costs are incurred to acquire insurance and annuity contracts, including commissions and certain underwriting, policy issuance, and processing expenses. In accordance with ASC 805, *Business Combinations* DAC was written off as a result of the Merger with Brookfield Reinsurance. The beginning balance as of May 25, 2022 represents the Value of Business Acquired "VOBA" at that date.

DAC on traditional life, including limited-pay contracts, and health products is amortized with interest over the anticipated premium-paying period of the related policies in proportion to the ratio of annual premium revenue expected to be received over the life of the policies. Expected premium revenue is estimated by using the same mortality, morbidity, and withdrawal assumptions used in computing liabilities for future policy benefits. DAC is reduced by a provision for possible inflation of maintenance and settlement expenses determined by means of grading interest rates.

DAC on universal life and investment-type contracts is amortized as a level percentage of the present value of anticipated gross profits from investment yields, mortality, and surrender charges. The effect of the realization of unrealized gains (losses) on DAC is recognized within AOCI in the consolidated statements of financial position as of the reporting date. A change in interest rates could have a significant impact on DAC calculated for these contracts.

DAC on participating whole life products is amortized in proportion to estimated gross margins. Estimated gross margins are equal to premiums, plus investment income, less benefits, less expenses not included in DAC, less the change in reserves, less dividends.

DAC associated with property and casualty business is amortized over the coverage period of the related policies, in relation to premiums earned.

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

Value of business acquired ("VOBA") is an intangible asset resulting from a business combination that represents the difference between the policyholder liabilities measured in accordance with the acquiring company's accounting policies and the estimated fair value of the same acquired policyholder liabilities in-force at the acquisition date.

VOBA amortization is consistent with DAC amortization policies with the exception of the Specialty Markets Group ("SMG") business in which the DAC amortization policy follows an accelerated method.

Liabilities for future policy benefits for traditional products have been provided on a net level premium method based on estimated investment yields, withdrawals, mortality, and other assumptions that were appropriate at the time the policies were issued. Estimates are based on historical experience adjusted for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience. When it is determined that future expected experience differs significantly from existing assumptions, the estimates are revised for current and future issues. For business in-force as of the acquisition date, GAAP guidance requires the historical, at-issue assumptions be “unlocked” and replaced with current, best-estimate assumptions (adjusted for possible adverse deviation).

Policyholders’ account balances represent the contract value that has accrued to the benefit of the policyholders related to universal-life and investments-type contracts. For fixed products, these are generally equal to the accumulated deposits plus interest credited, reduced by withdrawals, payouts, and accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedded derivative reserves computed per derivative accounting guidance.

Liabilities for unpaid claims and claim adjustment expenses (“CAE”) are established to provide for the estimated costs of paying claims. These reserves include estimates for both case reserves and IBNR claim liabilities. Case reserves include the liability for reported but unpaid claims. IBNR liabilities include a provision for potential development on case reserves, losses on claims currently closed which may reopen in the future, as well as IBNR claims. These liabilities also include an estimate of the expense associated with settling claims, including legal and other fees, and the general expenses of administering the claims adjustment process.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

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

Separate account assets and liabilities

Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of American National. 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. American National 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 American National’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, American National'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 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 American National.

Premiums, benefits, claims incurred, and expenses

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

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

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

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

Participating insurance policies

Participating business at September 30, 2022 comprised approximately 4.0% of the life insurance in-force and 38.6% of life premiums.

For the majority of this participating business, profits earned are reserved for the payment of dividends to policyholders, except for the stockholders’ share of profits on participating policies, which is limited to the greater of 10% of the profit on participating business, or 50 cents per thousand dollars of the face amount of participating life insurance in-force. Participating policyholders’ interest includes the accumulated net income from participating policies reserved for payment to such policyholders in the form of dividends (less net income allocated to stockholders as indicated above) as well as a pro rata portion of unrealized investment gains (losses). Dividends to participating policyholders were $6.2 million and $4.7 million at September 30, 2022 and 2021, respectively. Income of $2.5 million and $14.9 million was allocated to participating policyholders at September 30, 2022 and 2021, respectively.

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

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Federal income taxes

American National files a consolidated life and non-life federal income tax return. Certain subsidiaries that are consolidated for financial reporting are not eligible to be included in the consolidated federal income tax return; accordingly, they file separate returns.

Deferred income tax assets and liabilities are recognized to reflect the future tax consequences attributable to differences between the financial statement amounts of assets and liabilities and their respective tax bases. Deferred taxes are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. As a result of ASC 805, *Business Combinations* deferred taxes incurred an adjustment of $401.6 million due to the Merger with Brookfield Reinsurance.

American National recognizes tax benefits on uncertain tax positions if it is "more-likely-than-not" the position based on its technical merits will be sustained by taxing authorities. American National recognizes the largest benefit that is greater than 50% likely of being ultimately realized upon settlement. Tax benefits not meeting the "more-likely-than-not" threshold, if applicable, are included within "Other liabilities" in the consolidated statements of financial position. American National recognizes interest expense and penalties related to uncertain tax positions, if applicable, as income tax expense in the consolidated statements of operations. Accrued interest expense and penalties related to uncertain tax positions are reported as "Other liabilities" in the consolidated statements of financial position.

Pension and postretirement benefit plans

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

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

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

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

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

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

Stock-based compensation

Stock-based compensation listed below relates only to the predecessor period and is not applicable to the successor.

Restricted Stock ("RS") equity and compensation cost is based on the fair value of the underlying stock at grant date. The compensation cost accrued is reported as "Additional paid-in capital" in the consolidated statements of financial position.

Restricted Stock Units ("RSUs") are settled in cash, resulting in classifying RSUs as a liability award. The liability is remeasured each reporting period through the vesting date and is adjusted for changes in fair value. The compensation liability related to the RSUs is reported as "Other Liabilities" in the consolidated statements of financial position.

Note 2 – Summary of Significant Accounting Policies and Practices - (Continued)

Litigation contingencies

Existing and potential litigation is reviewed quarterly to determine if any adjustments to liabilities for possible losses are necessary. Reserves 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, a reserve is recorded based on the lowest amount of the range.

Note 3 – Recently Issued Accounting Pronouncements

Adoption of New Accounting Standards—There were no recently adopted accounting standards for the nine months ended September 30, 2022 that had a material impact to the Company's Condensed Consolidated Financial Statements or Notes to the Condensed Consolidated Financial Statements.

Future Adoption of New Accounting Standards—The Financial Accounting Standards Board issued the following accounting guidance relevant to American National:

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts	The guidance will improve the timeliness of recognizing changes in the liability for future policy benefits for traditional and limited payment long-duration contracts and will modify the rate used to discount future cash flows. The guidance will also simplify the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts (market risk benefits), simplify the amortization of deferred acquisition costs and add significant qualitative and quantitative disclosures.	This standard will become effective for the Company for all annual and interim periods beginning January 1, 2023, which was extended from the previous effective date of January 1, 2022 through the issuance of ASU 2020-11. The Company will use the full retrospective method for adoption of the standard. Due to the acquisition of American National by Brookfield Reinsurance, the transition date for the standard will be May 25, 2022.	The Company’s implementation efforts and the evaluation of the impacts of the guidance on its consolidated financial statements, as well as its systems, processes, and controls, continue to progress.
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.	The amendments in this guidance are effective for all entities as of March 12, 2020 and will sunset through December 31, 2022, at which time the application of exceptions and optional expedients will no longer be permitted. The FASB is currently deliberating an ASU that would extend the sunset date through December 31, 2024.	The inventory of LIBOR exposures has been completed and 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 is expected to result in an immaterial impact to the Company's Condensed Consolidated Financial Statements or Notes to the Condensed Consolidated Financial Statements.
ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures	The amendments in this Update eliminate the accounting guidance for troubled debt restructurings by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The update also requires an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.	The amendments in this guidance are effective for the Company for all annual and interim reporting periods beginning January 1, 2023. The guidance requires that the amendments be adopted prospectively, with early adoption permitted.	The impact of this amendment is currently under evaluation by the Company.

Note 4 – Investment in Securities

The cost or amortized cost and fair value of investments in securities are shown below (in thousands):

	Successor				
	September 30, 2022				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds held-to-maturity					
U.S. treasury and government	$ —	$ —	$ —	$ —	$ —
U.S. states and political subdivisions	—	—	—	—	—
Foreign governments	—	—	—	—	—
Corporate debt securities	—	—	—	—	—
Collateralized debt securities	—	—	—	—	—
Residential mortgage-backed securities	—	—	—	—	—
Total bonds held-to-maturity	—	—	—	—	—
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	39,706	—	(1,555)	—	38,151
U.S. states and political subdivisions	986,929	21	(44,775)	(200)	941,975
Foreign governments	15,744	—	(615)	—	15,129
Corporate debt securities	11,988,328	119	(902,656)	(8,679)	11,077,113
Collateralized debt securities	941,953	—	(16,274)	(2,961)	922,718
Residential mortgage-backed securities	136,504	24	(4,844)	(134)	131,550
Total bonds available-for-sale	**14,109,164**	**164**	**(970,719)**	**(11,974)**	**13,126,636**
Total investments in fixed maturity	**$ 14,109,164**	**$ 164**	**$ (970,719)**	**$ (11,974)**	**$ 13,126,636**

	Predecessor				
	December 31, 2021				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds held-to-maturity					
U.S. treasury and government	$ 12,284	$ —	$ (287)	$ —	$ 11,997
U.S. states and political subdivisions	104,039	1,676	(1,906)	—	103,809
Foreign governments	14,369	137	(159)	—	14,347
Corporate debt securities	6,810,518	388,726	(21,213)	(11,467)	7,166,564
Residential mortgage-backed securities	48,491	2,684	(481)	(516)	50,178
Collateralized debt securities	112,409	1,677	(1,046)	(1,146)	111,894
Total bonds held-to-maturity	**7,102,110**	**394,900**	**(25,092)**	**(13,129)**	**7,458,789**
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	26,887	121	(255)	—	26,753
U.S. states and political subdivisions	1,028,331	51,124	(2,312)	(14)	1,077,129
Foreign governments	5,000	841	—	—	5,841
Corporate debt securities	6,809,610	268,964	(35,285)	(7,141)	7,036,148
Residential mortgage-backed securities	32,234	342	(341)	(268)	31,967
Collateralized debt securities	205,732	469	(904)	(2,887)	202,410
Total bonds available-for-sale	**8,107,794**	**321,861**	**(39,097)**	**(10,310)**	**8,380,248**
Total investments in fixed maturity	**$ 15,209,904**	**$ 716,761**	**$ (64,189)**	**$ (23,439)**	**$ 15,839,037**

Note 4 – Investment in Securities – (Continued)

The amortized cost and fair value, by contractual maturity, of fixed maturity securities are shown below (in thousands):

	Successor	
	September 30, 2022	
	Bonds Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 527,736	$ 523,869
Due after one year through five years	4,625,441	4,423,960
Due after five years through ten years	5,001,139	4,633,783
Due after ten years	3,954,848	3,545,024
Total	**$ 14,109,164**	**$ 13,126,636**

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 bonds available-for-sale, with the related gross realized gains and losses, are shown below (in thousands):

	Successor		Predecessor		
	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
Proceeds from sales of fixed maturity, bonds available-for-sale	$ 1,347,811	$ 1,350,312	$ 29,247	$ 5,907	$ 31,080
Gross realized gains	2,502	2,502	—	—	59
Gross realized losses	12,300	12,300	—	—	—

Gains and losses are determined using specific identification of the securities sold. All held-to-maturity securities were transferred to available-for-sale through a management election allowed under business combination guidance.

In accordance with various regulations, American National has bonds on deposit with regulating authorities with a carrying value of $51.0 million and $53.5 million at September 30, 2022 and December 31, 2021, respectively. In addition, American National has pledged bonds in connection with certain agreements and transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $52.9 million and $67.1 million at September 30, 2022 and December 31, 2021, respectively.

The components of the change in net unrealized gains (losses) on debt securities are shown below, on a pre-tax basis (in thousands):

	Successor	Predecessor	
	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Nine months ended September 30, 2021
Bonds available-for-sale: change in unrealized losses	$ (969,318)	$ (997,300)	$ (161,597)
Adjustments for			
Deferred policy acquisition costs	—	199,027	24,645
Participating policyholders’ interest	16,240	13,478	5,458
Deferred federal income tax benefit	203,283	164,085	27,909
Change in net unrealized losses on debt securities, net of tax	**$ (749,795)**	**$ (620,710)**	**$ (103,585)**

Note 4 – Investment in Securities – (Continued)

The components of the change in net gains (losses) on equity securities are shown below (in thousands):

	Successor		Predecessor		
	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
Unrealized gains (losses) on equity securities	$ 194	$ (11,344)	$ (7,288)	$ 397	$ 269,536
Net gains (losses) on equity securities sold	19	19	(5,794)	284	(2,111)
Net gains (losses) on equity securities	**$ 213**	**$ (11,325)**	**$ (13,082)**	**$ 681**	**$ 267,425**

The gross unrealized losses and fair value of bonds available-for-sale, 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 (in thousands, except number of issues):

	Successor								
	September 30, 2022								
	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
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	19	$ (1,555)	$ 37,752	—	$ —	$ —	19	$ (1,555)	$ 37,752
U.S. states and political subdivisions	622	(44,775)	932,174	—	—	—	622	(44,775)	932,174
Foreign governments	3	(615)	15,129	—	—	—	3	(615)	15,129
Corporate debt securities	1,304	(902,656)	10,791,394	—	—	—	1,304	(902,656)	10,791,394
Residential mortgage-backed securities	56	(16,274)	609,672	—	—	—	56	(16,274)	609,672
Collateralized debt securities	50	(4,844)	131,447	—	—	—	50	(4,844)	131,447
Total	**2,054**	**$ (970,719)**	**$12,517,568**	**—**	**$ —**	**$ —**	**2,054**	**$ (970,719)**	**$12,517,568**

	Predecessor								
	December 31, 2021								
	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
Fixed maturity, bonds available-for-sale									
U.S. treasury and government	10	$ (230)	$ 18,378	1	$ (25)	$ 2,844	11	$ (255)	$ 21,222
U.S. states and political subdivisions	13	(618)	50,025	4	(1,694)	33,644	17	(2,312)	83,669
Corporate debt securities	184	(27,335)	1,596,811	32	(7,950)	146,597	216	(35,285)	1,743,408
Residential mortgage-backed securities	2	(339)	13,193	2	(2)	496	4	(341)	13,689
Collateralized debt securities	26	(885)	191,342	3	(19)	4,447	29	(904)	195,789
Total	**235**	**$ (29,407)**	**$1,869,749**	**42**	**$ (9,690)**	**$ 188,028**	**277**	**$ (39,097)**	**$2,057,777**

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 fixed maturity securities within the transportation sector.

Note 4 – Investment in Securities – (Continued)

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

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Consumer goods	$ —	— %	$ 13,031	9.6 %
Energy and utilities	25,507	9.8	8,647	6.4
Finance	212,934	82.2	48,211	35.6
Healthcare	—	—	12,136	9.0
Industrials	—	—	4,733	3.5
Information technology	—	—	20,436	15.1
Other	20,560	8.0	28,239	20.8
Total	**$ 259,001**	**100.0 %**	**$ 135,433**	**100.0 %**

Allowance for Credit Losses

Held-to-Maturity Securities—Management measures expected credit losses on bonds held-to-maturity on a qualitative adjustment basis by major security type: corporate bonds, structured products, municipals, specialty products and Treasuries. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current market conditions and reasonable and supportable economic forecasts based upon a third-party valuation model. As of September 30, 2022, the Company's portfolio did not include held-to-maturity securities.

Available-for-Sale Securities—For available-for-sale bonds in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized cost basis is written down to fair value through income. For bonds available-for-sale that do not meet either indicated criteria, the Company evaluates whether the decline in fair value has resulted from credit events or market factors. In making this assessment, management first calculates the extent to which fair value is less than amortized cost, and then may consider any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income, limited to the amount fair value is less than amortized cost. Any remaining unrealized loss is recognized in other comprehensive income.

When the discounted cash flow method is used to determine the allowance for credit losses, management's estimates incorporate expected prepayments, if any. Model inputs are considered reasonable and supportable for three years. A mean reversion is applied in years four and five. Credit loss allowance is not measured on accrued interest receivable because the balance is written off to net investment income in a timely manner, within 90 days. Changes in the allowance for credit losses are recognized through the condensed consolidated statement of operations as "(Increase) decrease in investment credit loss."

No accrued interest receivables were written off as of September 30, 2022.

Note 4 – Investment in Securities – (Continued)

The rollforward of the allowance for credit losses for available-for-sale debt securities is shown below (in thousands):

Successor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at June 30, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Increase in allowance related to purchases	—	(524)	(364)	(13)	(901)
Reduction in allowance related to disposition	—	—	—	—	—
Allowance on securities that had an allowance recorded in a previous period	—	—	—	—	—
Allowance on securities where credit losses were not previously recorded	(200)	(8,059)	(2,692)	(121)	(11,072)
Balance at September 30, 2022	**$ (200)**	**$ (8,583)**	**$ (3,056)**	**$ (134)**	**$ (11,973)**

Successor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at May 25, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Increase in allowance related to purchases	—	(524)	(364)	(13)	(901)
Reduction in allowance related to disposition	—	—	—	—	—
Allowance on securities that had an allowance recorded in a previous period	—	—	—	—	—
Allowance on securities where credit losses were not previously recorded	(200)	(8,059)	(2,692)	(121)	(11,072)
Balance at September 30, 2022	**$ (200)**	**$ (8,583)**	**$ (3,056)**	**$ (134)**	**$ (11,973)**

Predecessor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at December 31, 2021	**$ (14)**	**$ (7,141)**	**$ (2,887)**	**$ (268)**	**$ (10,310)**
Increase in allowance related to purchases	—	(10,286)	(59)	—	(10,345)
Reduction in allowance related to disposition	—	459	—	—	459
Allowance on securities that had an allowance recorded in a previous period	(67)	4,729	(1,134)	(42)	3,486
Allowance on securities where credit losses were not previously recorded	(56)	(16,005)	(51)	—	(16,112)
Balance at May 24, 2022	**$ (137)**	**$ (28,244)**	**$ (4,131)**	**$ (310)**	**$ (32,822)**

Note 4 – Investment in Securities – (Continued)

Predecessor	U.S. Treasury and Government	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at June 30, 2021	**$ —**	**$ (8)**	**$ (4,489)**	**$ (456)**	**$ (205)**	**$ (5,158)**
Increase in allowance related to purchases	—	—	(2,177)	(346)	—	(2,523)
Reduction in allowance related to disposition	—	—	56	—	—	56
Allowance on securities that had an allowance recorded in a previous period	—	8	3,339	238	(3)	3,582
Allowance on securities where credit losses were not previously recorded	—	(16)	(298)	(123)	(49)	(486)
Balance at September 30, 2021	**$ —**	**$ (16)**	**$ (3,569)**	**$ (687)**	**$ (257)**	**$ (4,529)**

Predecessor	U.S. Treasury and Government	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at December 31, 2020	**$ —**	**$ —**	**$ (7,275)**	**$ (19)**	**$ (188)**	**$ (7,482)**
Increase in allowance related to purchases	—	—	(3,158)	(538)	—	(3,696)
Reduction in allowance related to disposition	—	—	4,095	182	—	4,277
Allowance on securities that had an allowance recorded in a previous period	3	8	3,787	(163)	(18)	3,617
Allowance on securities where credit losses were not previously recorded	(3)	(24)	(1,018)	(149)	(51)	(1,245)
Balance at September 30, 2021	**$ —**	**$ (16)**	**$ (3,569)**	**$ (687)**	**$ (257)**	**$ (4,529)**

Credit Quality Indicators

The Company monitors the credit quality of bonds held-to-maturity through the use of credit ratings provided by third party rating agencies, which are updated on a monthly basis. Information is also gathered regarding the asset performance of held-to-maturity bonds. The two traditional metrics for assessing interest rate risks are interest-coverage ratios and capitalization ratios, which can also be used in the assessment of credit risk. These risks are mitigated through the diversification of bond investments. Categories of diversification include credit ratings, geographic locations, maturities, and market sector.

As of September 30, 2022, the Company's portfolio did not include held-to-maturity securities.

Note 5 – Mortgage Loans

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. American National attempts to maintain a diversified portfolio by considering both the location of the underlying collateral as well as the type of mortgage loan. The geographic categories come from the U.S. Census Bureau's "Census Regions and Divisions of the United States." The distribution based on carrying amount of mortgage loans by location is as follows (in thousands, except percentages):

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Amount	Percentage	Amount	Percentage
East North Central	$ 818,629	15.5 %	$ 747,661	14.4 %
East South Central	66,744	1.3	117,574	2.3
Mountain	1,379,267	26.0	1,250,562	24.0
Pacific	811,572	15.4	878,820	16.9
South Atlantic	821,617	15.5	627,295	12.0
West South Central	1,066,948	20.2	1,261,659	24.3
Other	320,806	6.1	315,763	6.1
Total	**$ 5,285,583**	**100.0 %**	**$ 5,199,334**	**100.0 %**

As of September 30, 2022 and December 31, 2021, loans in foreclosure and loans foreclosed are as follows (in thousands, except number of loans):

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Foreclosure and foreclosed	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
In foreclosure	—	$ —	—	$ —
Filed for bankruptcy	—	—	—	—
Total in foreclosure	**—**	**$ —**	**—**	**$ —**
Foreclosed	**—**	**$ —**	**1**	**$ 5,168**

Note 5 – Mortgage Loans – (Continued)

The age analysis of past due loans is shown below (in thousands, except percentages):

	Successor						
September 30, 2022	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 744,017	$ 744,017	13.1 %
Hotel	—	—	—	—	872,519	872,519	17.3
Industrial	—	—	—	—	964,521	964,521	18.5
Office	—	41,813	—	41,813	1,175,783	1,217,596	24.7
Parking	—	—	—	—	421,513	421,513	7.4
Retail	—	—	—	—	839,609	839,609	14.1
Storage	—	—	—	—	121,833	121,833	2.4
Other	—	—	—	—	140,096	140,096	2.5
Total	**$ —**	**$ 41,813**	**$ —**	**$ 41,813**	**$ 5,279,891**	**$ 5,321,704**	**100.0 %**
Allowance for credit losses						(36,121)	
Total, net of allowance						**$ 5,285,583**	

	Predecessor						
December 31, 2021	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 522,595	$ 522,595	9.9 %
Hotel	—	—	—	—	962,345	962,345	18.2
Industrial	—	—	—	—	912,645	912,645	17.2
Office	—	—	—	—	1,347,384	1,347,384	25.4
Parking	—	—	—	—	392,310	392,310	7.4
Retail	4,872	—	—	4,872	838,163	843,035	15.9
Storage	—	—	—	—	163,685	163,685	3.1
Other	—	—	—	—	152,414	152,414	2.9
Total	**$ 4,872**	**$ —**	**$ —**	**$ 4,872**	**$ 5,291,541**	**$ 5,296,413**	**100.0 %**
Allowance for credit losses						(97,079)	
Total, net of allowance						**$ 5,199,334**	

As a result of the economic impact associated with COVID-19, American National modified 93 loans with a total balance of $1.6 billion during 2020. These modifications were in the form of forbearance of principal and interest payments for up to six months, extensions of maturity dates, and/or provisions for interest only payments. The modifications were primarily related to our loans to hotels, retail and parking operations. Due to the ongoing economic stress brought on by the pandemic, additional modifications for 33 of these loans with a total balance of $725.7 million were made in 2021. While easing of pandemic restrictions has generated a more favorable economic environment, 3 additional modifications were made during 2022 due to continuing challenges. The additional modifications extended the forbearance of principal and interest payments and interest only provisions with a requirement for the payment of at least 20% of the total interest due during the extended modification period. The modified loans had an aggregate deferred interest of $2.0 million as of September 30, 2022.

Note 5 – Mortgage Loans – (Continued)

Troubled Debt Restructurings

American National has granted concessions to certain mortgage loan borrowers. Concessions are generally one of, or a combination of, a delay in payment of principal or interest, a reduction of the contractual interest rate or an extension of the maturity date. Loans that have these concessions could be classified as troubled debt restructurings. The carrying value could change based on the expected recovery of the loan, which is evaluated quarterly. Loan modifications executed due to COVID-19 resulting in a total delay of more than six months were evaluated for troubled debt restructured status under current GAAP guidance.

American National considers the amount, timing and extent of concessions in determining credit loss allowances for loan losses recorded in connection with a troubled debt restructuring.

As of December 31, 2021, 72 loans with a total recorded investment of $1.3 billion were designated to be troubled debt restructured loans. During the first nine months of 2022, eleven of those loans paid in full and one additional loan was added leaving 62 loans with a total recorded investment of $1.2 billion to be designated as troubled debt restructured loans as of September 30, 2022. All loans determined to be a trouble debt restructured due to impacts from COVID-19 are current with respect to their modified terms.

Loans determined to be additions to the troubled debt restructures during the periods presented are as follows (in thousands, except number of loans):

	Successor			Predecessor					
	Period from May 25, 2022 through September 30, 2022			Period from January 1, 2022 through May 24, 2022			Nine months ended September 30, 2021		
	Number of Loans	Recorded Investment Pre-Modification	Recorded Investment Post-Modification	Number of Loans	Recorded Investment Pre-Modification	Recorded Investment Post-Modification	Number of Loans	Recorded Investment Pre-Modification	Recorded Investment Post-Modification
Office	1	$ 26,326	$ 26,326	—	$ —	$ —	3	$ 44,828	$ 44,828
Retail	—	—	—	—	—	—	3	32,711	32,711
Parking	—	—	—	—	—	—	1	9,716	9,716
Storage	—	—	—	—	—	—	1	8,947	8,947
Total	**1**	**$ 26,326**	**$ 26,326**	**—**	**$ —**	**$ —**	**8**	**$ 96,202**	**$ 96,202**

There are no commitments to lend additional funds to debtors whose loans have been modified in a troubled debt restructuring during the periods presented. The decrease in loans determined to be a troubled debt restructuring in the nine months ended September 30, 2022 is primarily attributable to improved economic conditions after lifting of COVID-19 related restrictions.

Note 5 – Mortgage Loans – (Continued)

Allowance for Credit Losses

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferred expenses and allowances. The allowance for credit losses is based upon the current expected credit loss model. The model considers past loss experience, current economic conditions, and reasonable and supportable forecasts of future conditions. Reversion for the allowance calculation is implicit in the models used to determine the allowance. The methodology uses a discounted cash flow approach based on expected cash flows.

The Predecessor balance of $92.8 million at May 24, 2022 was closed out and the Successor recovered the entire allowance balance after the Merger as required by Purchase GAAP Accounting ("PGAAP") guidance. The provision of $36.1 million is the net amount of recovery and adjustment for the second and third quarter of 2022. Refer to Note 1, Nature of Operations, for more information.

The rollforward of the allowance for credit losses for mortgage loans is shown below (in thousands):

Successor	Commercial Mortgage Loans
Balance at June 30, 2022	**$ (34,972)**
Provision	(1,149)
Balance at September 30, 2022	**$ (36,121)**

Successor	Commercial Mortgage Loans
Balance at May 25, 2022	**$ —**
Provision	(36,121)
Balance at September 30, 2022	**$ (36,121)**

Predecessor	Commercial Mortgage Loans
Balance at December 31, 2021	**$ (97,079)**
Provision	4,255
Balance at May 24, 2022	**$ (92,824)**

Predecessor	Commercial Mortgage Loans
Balance at June 30, 2021	**$ (108,958)**
Provision	2,061
Balance at September 30, 2021	**$ (106,897)**

Predecessor	Commercial Mortgage Loans
Balance at December 31, 2020	**$ (125,703)**
Provision	18,806
Balance at September 30, 2021	**$ (106,897)**

The change in allowance for the nine months ended September 30, 2022 was primarily due to higher overall occupancy in hotels and an increased allowance rate in the office sector as supplies outpaced demand as a result of work from home changes in the market.

Note 5 – Mortgage Loans – (Continued)

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

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Asset Balance	Allowance	Asset Balance	Allowance
Apartment	$ 744,017	$ (1,733)	$ 522,595	$ (1,366)
Hotel	872,519	(7,145)	962,345	(39,272)
Industrial	964,521	(4,421)	912,645	(4,051)
Office	1,217,596	(13,975)	1,347,384	(26,988)
Parking	421,513	(3,840)	392,310	(16,037)
Retail	839,609	(3,648)	843,035	(6,685)
Storage	121,833	(451)	163,685	(459)
Other	140,096	(908)	152,414	(2,221)
Total	**$ 5,321,704**	**$ (36,121)**	**$ 5,296,413**	**$ (97,079)**

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 (in thousands):

	Amortized Cost Basis by Origination Year						
	2022	2021	2020	2019	2018	Prior	Total
Apartment	$ 254,726	$ 109,056	$ 105,463	$ 142,078	$ 22,166	$ 110,528	$ 744,017
Hotel	25,078	31,755	39,183	130,315	180,035	466,153	872,519
Industrial	187,291	170,757	213,176	131,402	64,458	197,437	964,521
Office	122,096	5,053	24,353	46,901	158,233	860,960	1,217,596
Parking	54,606	28,956	27,037	13,066	18,709	279,139	421,513
Retail	159,785	115,907	65,064	37,575	45,312	415,966	839,609
Storage	8,149	19,673	32,671	38,818	22,522	—	121,833
Other	1,658	45,006	—	28,584	19,832	45,016	140,096
Total	**$ 813,389**	**$ 526,163**	**$ 506,947**	**$ 568,739**	**$ 531,267**	**$ 2,375,199**	**$ 5,321,704**
Allowance for credit losses							(36,121)
Total, net of allowance							**$ 5,285,583**

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, 2022, no commercial loans were past due over 90 days or in non-accrual status.

Off-Balance Sheet Credit Exposures

The Company has off-balance sheet credit exposures related to non-cancellable unfunded commitment amounts on commercial mortgage loans. We estimate the allowance for these exposures by applying the allowance rate we computed for each property type to the related outstanding commitment amounts. As of September 30, 2022, we have included a $5.6 million liability in other liabilities on the condensed consolidated statements of financial position based on unfunded loan commitments of $1.3 billion.

Note 6 - Real Estate and Other Investments

The carrying amount of investment real estate, net of accumulated depreciation, and real estate partnerships by property-type and geographic distribution are as follows (in thousands, except percentages):

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Amount	Percentage	Amount	Percentage
Hotel	$ 80,265	8.2 %	$ 56,198	6.1 %
Industrial	165,921	16.9	119,698	12.9
Land	48,186	4.9	39,760	4.3
Office	242,588	24.7	277,034	29.8
Retail	214,993	21.9	269,941	29.1
Apartments	225,698	23.1	153,871	16.6
Other	2,942	0.3	11,910	1.2
Total	**$ 980,593**	**100.0 %**	**$ 928,412**	**100.0 %**

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Amount	Percentage	Amount	Percentage
East North Central	$ 94,648	9.7 %	$ 122,148	13.2 %
East South Central	29,169	3.0	59,122	6.4
Mountain	236,382	24.1	127,542	13.7
Pacific	159,656	16.3	112,714	12.1
South Atlantic	82,576	8.4	67,573	7.3
West South Central	357,886	36.5	428,272	46.1
Other	20,276	2.0	11,041	1.2
Total	**$ 980,593**	**100.0 %**	**$ 928,412**	**100.0 %**

As of September 30, 2022, no real estate investments met the criteria as held-for-sale.

American National 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, American National holds the power to direct 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 American National, as American National's obligation is limited to the amount of its committed investment. American National 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 in 2022 or 2021.

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

	Successor	Predecessor
	September 30, 2022	December 31, 2021
Real estate and real estate partnerships	$ 111,156	$ 126,708
Investment funds	98,906	100,374
Short-term investments	500	500
Cash and cash equivalents	12,064	10,341
Premiums due and other receivables	2,223	3,201
Other assets	11,269	12,992
Total assets of consolidated VIEs	**$ 236,118**	**$ 254,116**
Notes payable	$ 151,363	$ 149,248
Other liabilities	8,288	8,250
Total liabilities of consolidated VIEs	**$ 159,651**	**$ 157,498**

Note 6 – Real Estate and Other Investments – (Continued)

The notes payable in the condensed consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $10.6 million and $3.0 million at September 30, 2022 and December 31, 2021, respectively.

The total long-term notes payable of the consolidated VIEs consists of the following (in thousands):

		Successor	Predecessor
Interest rate	**Maturity**	**September 30, 2022**	**December 31, 2021**
4% fixed	2022	$ 72,751	$ 75,293
LIBOR or Equivalent	2023	10,691	10,819
4.18% fixed	2024	62,218	63,136
3.25%	2024	5,703	—
Total		**$ 151,363**	**$ 149,248**

For other real estate partnership VIEs, American National is not the primary beneficiary as major decisions impacting the economic activities of the VIE require consent from both partners. The carrying amount and maximum exposure to loss relating to these unconsolidated VIEs follows (in thousands):

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate and real estate partnerships	$ 292,298	$ 292,298	$ 332,351	$ 332,351
Mortgage loans on real estate	526,452	526,452	690,779	690,779
Accrued investment income	2,244	2,244	2,878	2,878

American National's equity in earnings of real estate partnerships is the Company's share of operating earnings and realized gains from investments in real estate joint ventures and other limited partnership interests ("joint ventures") using the equity method of accounting.

The Company's income from and investment in each joint venture did not exceed 20% and therefore no separate financial disclosure is required. The Company's income from, assets held, and investment in each joint venture did not exceed 10% of operating income before tax. Additionally, American National's investment in joint ventures is less than 3% of the Company's total assets, and investments in individual joint ventures are not considered to be material to the Company in relation to its financial position or ongoing results of operations. Therefore, summarized financial information of equity method investees has not been included.

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, was comprised of $1.5 billion and $1.4 billion at September 30, 2022 and December 31, 2021.

Note 7 – Derivative Instruments

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in the equity markets to which equity-indexed products are exposed. These options are not designated as hedging instruments for accounting purposes under GAAP. Equity-indexed contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivative. The detail of derivative instruments is shown below (in thousands, except number of instruments):

		Successor			Predecessor		
		September 30, 2022			December 31, 2021		
Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Financial Position	Number of Instruments	Notional Amounts	Estimated Fair Value	Number of Instruments	Notional Amounts	Estimated Fair Value
Equity-indexed options	Other invested assets	508	$3,754,299	$ 98,236	473	$3,523,000	$ 259,383
Equity-indexed embedded derivative	Policyholders' account balances	132,650	3,627,034	671,400	125,523	3,419,992	832,579

		Gains (Losses) Recognized in Income on Derivatives				
		Successor		Predecessor		
Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Operations	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
Equity-indexed options	Net investment income	$ (25,370)	$ (45,461)	$ (127,587)	$ 1,365	$ 70,434
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	67,154	91,235	96,815	9,607	(45,542)

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.

Note 7 – Derivative Instruments – (Continued)

Information regarding the Company's exposure to credit loss on the options it holds is presented below (in thousands):

		Successor						
		September 30, 2022						
Counterparty	Moody/S&P Rating	Options 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
Bank of America	A2/A-	$ 2,771	$ 3,240	$ —	$ 3,240	$ 2,771	$ 469	$ —
Barclays	Baa2/BBB	18,900	3,833	18,055	21,888	18,900	2,988	—
Credit Suisse	Baa1/BBB	2,310	2,660	—	2,660	2,310	350	—
ING	Baa1/A-	8,143	2,250	6,284	8,534	8,143	391	—
Morgan Stanley	A1/A-	19,895	14,156	5,686	19,842	19,842	—	53
NATIXIS*	A1/A	23,746	24,130	—	24,130	23,746	384	—
Truist	A3/A-	14,772	4,440	10,972	15,412	14,772	640	—
Wells Fargo	A1/BBB+	7,699	3,140	4,888	8,028	7,631	397	68
Total		**$ 98,236**	**$ 57,849**	**$ 45,885**	**$ 103,734**	**$ 98,115**	**$ 5,619**	**$ 121**

		Predecessor						
		December 31, 2021						
Counterparty	Moody/S&P Rating	Options 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
Bank of America	A2/A-	$ 6,289	$ 5,950	$ —	$ 5,950	$ 5,950	$ —	$ 339
Barclays	Baa2/BBB	45,410	28,173	18,100	46,273	45,410	863	—
Credit Suisse	Baa1/BBB+	34,411	35,300	—	35,300	34,411	889	—
ING	Baa1/A-	13,280	3,030	10,300	13,330	13,280	50	—
Morgan Stanley	A1/BBB+	61,817	57,716	5,700	63,416	61,817	1,599	—
NATIXIS*	A1/A	26,490	26,660	—	26,660	26,490	170	—
Truist	A3/A-	39,589	30,010	11,000	41,010	39,530	1,480	59
Wells Fargo	A1/BBB+	32,097	22,320	9,900	32,220	32,065	155	32
Total		**$ 259,383**	**$ 209,159**	**$ 55,000**	**$ 264,159**	**$ 258,953**	**$ 5,206**	**$ 430**

* *Collateral is prohibited from being held in invested assets.*

Note 8 – Net Investment Income and Realized Investment Gains (Losses)

Net investment income is shown below (in thousands):

	Successor		Predecessor		
	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
Bonds	$ 147,836	$ 204,862	$ 223,195	$ 132,725	$ 392,838
Short-term investments	19,524	25,111	3,870	—	—
Equity securities	310	734	629	8,316	24,116
Mortgage loans	74,744	99,142	123,278	60,722	199,910
Real estate and real estate partnerships	25,010	47,406	111,344	15,796	44,725
Investment funds	9,861	17,071	34,431	32,962	71,950
Equity-indexed options	(25,370)	(45,461)	(127,587)	1,365	70,434
Other invested assets	10,267	14,328	15,648	9,254	24,547
Total	**$ 262,182**	**$ 363,193**	**$ 384,808**	**$ 261,140**	**$ 828,520**

Net investment income from equity method investments, comprised of real estate partnerships and investment funds was $62.4 million for the period from May 25, 2022 to September 30, 2022, $140.0 million for the five months ended May 24, 2022, $32.8 million and $46.4 million for the three months ended September 30, 2022 and 2021 and $109.3 million for the nine months ended September 30, 2021.

Net realized investment gains (losses) are shown below (in thousands):

	Successor		Predecessor		
	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
Bonds	$ (10,194)	$ (10,668)	$ 10,339	$ 22,939	$ 42,106
Mortgage loans	—	—	—	—	(768)
Real estate and real estate partnerships	6,440	7,418	10,461	(1,705)	9,387
Other invested assets	150	150	273	(1,096)	(746)
Total	**$ (3,604)**	**$ (3,100)**	**$ 21,073**	**$ 20,138**	**$ 49,979**

Net realized investment gains (losses) by transaction type are shown below (in thousands):

	Successor		Predecessor		
	Three months ended September 30, 2022	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2021
Sales	$ (3,381)	$ (2,964)	$ 11,411	$ (1,209)	$ 11,716
Calls and maturities	(240)	(149)	9,736	23,081	41,657
Paydowns	17	13	7	(142)	390
Impairments	—	—	—	(1,380)	(3,413)
Other	—	—	(81)	(212)	(371)
Total	**$ (3,604)**	**$ (3,100)**	**$ 21,073**	**$ 20,138**	**$ 49,979**

Note 9 – Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments are shown below (in thousands):

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity, bonds held-to-maturity	$ —	$ —	$ 7,088,981	$ 7,458,789
Fixed maturity, bonds available-for-sale	13,126,636	13,126,636	8,380,248	8,380,248
Equity securities	259,001	259,001	135,433	135,433
Equity-indexed options, included in other invested assets	98,236	98,236	259,383	259,383
Mortgage loans on real estate, net of allowance	5,285,583	5,440,789	5,199,334	5,271,950
Policy loans	372,080	372,080	365,208	365,208
Short-term investments	1,800,683	1,800,683	1,840,732	1,840,732
Separate account assets ($972,568 and $1,278,380 included in fair value hierarchy)	1,002,715	1,002,715	1,320,703	1,320,703
Separately managed accounts, included in other invested assets	125,638	125,638	99,884	99,884
Total financial assets	**$ 22,070,572**	**$ 22,225,778**	**$ 24,689,906**	**$ 25,132,330**
Financial liabilities				
Investment contracts	$ 9,650,917	$ 9,650,917	$ 10,947,958	$ 10,947,958
Embedded derivative liability for equity-indexed contracts	671,400	671,400	832,579	832,579
Notes payable	151,363	151,363	149,248	149,248
Separate account liabilities ($972,568 and $1,278,380 included in fair value hierarchy)	1,002,715	1,002,715	1,320,703	1,320,703
Total financial liabilities	**$ 11,476,395**	**$ 11,476,395**	**$ 13,250,488**	**$ 13,250,488**

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. American National 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 American National’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.

Note 9 – Fair Value of Financial Instruments – (Continued)

Valuation Techniques for Financial Instruments Recorded at Fair Value

Fixed Maturity Securities and Equity Options—American National utilizes a pricing service to estimate fair value measurements. The fair value for 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 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 fixed maturity securities that have quoted prices in active markets. Since 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 the 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.

American National 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. American National does not adjust quotes received from the pricing service. The pricing service utilized by American National has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

American National holds a small amount of private placement debt and 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, American National 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 fixed maturity securities, American National 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 fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. American National 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.

Note 9 – Fair Value of Financial Instruments – (Continued)

Separate Account Assets and Liabilities—Separate account assets and liabilities are funds that are held separate from the general assets and liabilities of American National. 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. American National 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 American National'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, American National'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 American National.

The separate account assets included on the quantitative disclosures fair value hierarchy table are comprised of short-term investments, equity securities, and fixed maturity bonds available-for-sale. Equity securities are classified as Level 1 measurements. Short-term investments and 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 financial instruments and 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 nine months ended September 30, 2022 and 2021, respectively.

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. At September 30, 2022 and December 31, 2021, the one year implied volatility used to estimate embedded derivative value was 26.1% and 19.6%, respectively.

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):

	Fair Value			Range	
	Successor	Predecessor		Successor	Predecessor
	September 30, 2022	December 31, 2021	Unobservable Input	September 30, 2022	December 31, 2021
Security type					
Embedded derivative					
Indexed Annuities	$ 666.4	$ 799.3	Lapse Rate	1-50%	1-50%
			Mortality Multiplier	100%	100%
			Equity Volatility	18-76%	12-64%
Indexed Life	5.0	33.3	Equity Volatility	19-76%	12-64%

Note 9 – Fair Value of Financial Instruments – (Continued)

Quantitative Disclosures

The fair value hierarchy measurements of the financial instruments are shown below (in thousands):

	Successor			
	Assets and Liabilities Carried at Fair Value by Hierarchy Level at September 30, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 38,151	$ 38,151	$ —	$ —
U.S. states and political subdivisions	941,975	—	941,975	—
Foreign governments	15,129	—	15,129	—
Corporate debt securities	11,077,113	—	10,792,380	284,733
Residential mortgage-backed securities	131,550	—	131,550	—
Collateralized debt securities	922,718	—	293,112	629,606
Total bonds available-for-sale	**13,126,636**	**38,151**	**12,174,146**	**914,339**
Equity securities				
Common stock	200,199	162,116	—	38,083
Preferred stock	58,802	25,209	—	33,593
Total equity securities	**259,001**	**187,325**	**—**	**71,676**
Options	98,236	—	—	98,236
Short-term investments	1,800,683	—	894,449	906,234
Separate account assets	972,568	296,289	676,279	—
Separately managed accounts	125,638	—	—	125,638
Total financial assets	**$ 16,382,762**	**$ 521,765**	**$ 13,744,874**	**$ 2,116,123**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 671,400	$ —	$ —	$ 671,400
Notes payable	151,363	—	—	151,363
Separate account liabilities	972,568	296,289	676,279	—
Total financial liabilities	**$ 1,795,331**	**$ 296,289**	**$ 676,279**	**$ 822,763**

Note 9 – Fair Value of Financial Instruments – (Continued)

	Predecessor			
	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2021			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 26,753	$ 26,753	$ —	$ —
U.S. states and political subdivisions	1,077,129	—	1,077,129	—
Foreign governments	5,841	—	5,841	—
Corporate debt securities	7,036,148	—	6,789,991	246,157
Residential mortgage-backed securities	31,967	—	31,967	—
Collateralized debt securities	202,410	—	202,410	—
Total bonds available-for-sale	**8,380,248**	**26,753**	**8,107,338**	**246,157**
Equity securities				
Common stock	94,895	93,315	—	1,580
Preferred stock	40,538	7,570	—	32,968
Total equity securities	**135,433**	**100,885**	**—**	**34,548**
Options	259,383	—	—	259,383
Short-term investments	1,840,732	—	1,840,732	—
Separate account assets	1,278,380	381,414	896,966	—
Separately managed accounts	99,884	—	—	99,884
Total financial assets	**$ 11,994,060**	**$ 509,052**	**$ 10,845,036**	**$ 639,972**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 832,579	$ —	$ —	$ 832,579
Notes payable	149,248	—	—	149,248
Separate account liabilities	1,278,380	381,414	896,966	—
Total financial liabilities	**$ 2,260,207**	**$ 381,414**	**$ 896,966**	**$ 981,827**

For financial instruments 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 (in thousands):

	Level 3				Level 3			
	Three months ended September 30, 2022				Period from May 25, 2022 through September 30, 2022			
	Assets			Liability	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 741,936**	**$ 101,254**	**$ 118,184**	**$ 724,239**	**$ 376,254**	**$ 114,883**	**$ 112,866**	**$ 745,075**
Net gain (loss) for derivatives included in net investment income	—	(25,286)	—	—	—	(45,377)	—	—
Net change included in interest credited	—	—	—	(67,154)	—	—	—	(91,235)
Net fair value change included in other comprehensive income	(487)	—	444	—	(471)	—	587	—
Purchases, sales and settlements or maturities								
Purchases	1,153,506	28,990	14,946	—	1,521,673	37,981	26,008	—
Sales	(2,706)	—	(7,936)	—	(5,207)	—	(13,823)	—
Settlements or maturities	—	(6,722)	—	—	—	(9,251)	—	—
Premiums less benefits	—	—	—	14,315	—	—	—	17,560
Ending balance at September 30, 2022	**$ 1,892,249**	**$ 98,236**	**$ 125,638**	**$ 671,400**	**$ 1,892,249**	**$ 98,236**	**$ 125,638**	**$ 671,400**

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Note 9 – Fair Value of Financial Instruments – (Continued)

	Level 3			
	Period from January 1, 2022 through May 24, 2022			
	Assets			Liability
Predecessor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 280,705**	**$ 259,393**	**$ 99,884**	**$ 832,579**
Net gain (loss) for derivatives included in net investment income	—	(127,587)	—	—
Net change included in interest credited	—	—	—	(96,815)
Net fair value change included in other comprehensive income	395	—	(368)	—
Purchases, sales and settlements or maturities				
Purchases	145,542	43,934	23,046	—
Sales	(50,388)	—	(9,696)	—
Settlements or maturities	—	(60,847)	—	—
Premiums less benefits	—	—	—	9,311
Ending balance at May 24, 2022	**$ 376,254**	**$ 114,893**	**$ 112,866**	**$ 745,075**

	Level 3							
	Three months ended September 30, 2021				Nine months ended September 30, 2021			
	Assets			Liability	Assets			Liability
Predecessor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 137,790**	**$ 260,053**	**$ 77,904**	**$ 776,430**	**$ 111,505**	**$ 242,201**	**$ 64,424**	**$ 705,013**
Net gain for derivatives included in net investment income	—	1,365	—	—	—	70,434	—	—
Net change included in interest credited	—	—	—	(9,607)	—	—	—	45,542
Net fair value change included in other comprehensive income	541	—	(195)		2,422	—	427	—
Purchases, sales and settlements or maturities								
Purchases	72,443	23,487	23,250	—	118,623	69,917	45,961	—
Sales	(5,907)		(3,802)	—	(29,162)	—	(13,655)	—
Settlements or maturities	—	(55,215)	—		—	(152,862)	—	—
Premiums less benefits	—	—	—	1,097	—	—	—	17,365
Gross transfers into Level 3	—	—	—	—	1,479	—	—	—
Ending balance at September 30, 2021	**$ 202,848**	**$ 229,690**	**$ 97,157**	**$ 767,920**	**$ 202,848**	**$ 229,690**	**$ 97,157**	**$ 767,920**

Within the net gain (loss) for derivatives included in net investment income were unrealized losses of $41.0 million and $20.7 million, relating to assets still held at September 30, 2022 and 2021, respectively.

There were no transfers between Level 1 and Level 2 fair value hierarchies during the periods presented. American National'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. The transfers into Level 3 during the three months ended September 30, 2022 were the result of securities not being priced by the third-party service at the end of the period.

Equity-index Options—Certain over the counter equity options are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of 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.

Note 9 – Fair Value of Financial Instruments – (Continued)

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

Successor	Fair Value at September 30, 2022	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 38,083	Guideline public company method [1]	LTM Revenue Multiple	3x
		CVM	NCY Revenue Multiple [6]	0.6x
			NCY EBITDA Multiple	5.5x
			LQA Recurring Revenue Multiple [7]	7.25x
Preferred stock	33,593	Guideline public company method	LTM Revenue Multiple [4]	5.40x
		CVM	NCY Revenue Multiple	0.6x
			LTM EBITDA Multiple	6.82x
			NCY EBITDA Multiple [8]	5.5x
Bonds	1,820,573	Priced at cost	Coupon rate	4.00-11.13%
Separately managed accounts	125,638	Discounted cash flows (yield analysis)	Discount rate	7.60-21.10%
		CVM	NCY EBITDA	5.5x
		Market transaction		N/A

Predecessor	Fair Value at December 31, 2021	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 1,580	Guideline public company method [1]	Recurring Revenue Multiple [2]	8x
		Option pricing method	LTM EBITDA Multiple [3]	7.6x
		CVM	NCY EBITDA Multiple [5]	4.8x
Preferred stock	32,968	Guideline public company method [1]	LTM Revenue Multiple [4]	6.3x
		Priced at cost	LTM EBITDA Multiple [3]	4.2x
			NCY EBITDA Multiple [5]	4.8x
			Term (Years)	1.80
			Volatility	60.00 %
Bonds	246,157	Priced at cost	Coupon rate	2.63-8.00%
Separately managed accounts	99,884	Discounted cash flows (yield analysis)	Discount rate	4.80-16.40%
		CVM	NCY EBITDA Multiple [5]	4.8x
		Market transaction	N/A	N/A

(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) Recurring Revenue Multiple for the most relevant period of time, measures the value of the equity or a business relative to the revenues it generates.

(3) Last Twelve Months ("LTM") EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12 month period.

(4) LTM Revenue Multiple valuation metric shows revenue for the past 12 month period.

(5) Next Calendar Year ("NCY") EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.

(6) NCY Revenue forecast revenue over the next calendar year.

(7) Last quarter annualized recurring revenue. Total recurring revenue realized during the previous quarter multiplied by 4.

Note 9 – Fair Value of Financial Instruments – (Continued)

Investment 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 rate which is considered an unobservable input.

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:

Fixed Maturity Securities—The fair value of bonds held-to-maturity is determined to be consistent with the disclosure under Valuation Techniques for the Financial Instrument Recorded at Fair Value section.

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, American National believes the carrying value of policy loans approximates fair value.

Separately Managed Accounts—The amounts reported in separately managed accounts consist primarily of notes and private equity. These investments are private placements and do not have a readily determinable fair value. The carrying value of the separately managed accounts is cost or market value, if available from the separately managed account manager. Market value is provided by the separately managed account manager in subsequent quarters. American National believes that cost approximates fair value at initial recognition during the quarter of investment.

Investment Contracts—The carrying value of investment contracts is equivalent to the accrued account balance. The accrued account balance consists of deposits, net of withdrawals, net of interest credited, fees and charges assessed and other adjustments. American National believes that the carrying value of investment contracts approximates fair value because the majority of these contracts' interest rates reset at anniversary.

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.

Federal Home Loan Bank Advance—The Federal Home Loan Bank advance was carried at outstanding principal balance. The fair value of the advance was obtained from the Federal Home Loan Bank of Dallas. The Company does not have outstanding loans from FHLB as of September 30, 2022.

Note 9 – Fair Value of Financial Instruments – (Continued)

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

	Successor		
	September 30, 2022		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	5,285,583	5,440,789
Policy loans	Level 3	372,080	372,080
Total financial assets		**$ 5,657,663**	**$ 5,812,869**
Financial liabilities			
Investment contracts	Level 3	$ 9,650,917	$ 9,650,917
Long-term debt	Level 3	1,503,478	1,503,478
Notes payable	Level 3	151,363	151,363
Total financial liabilities		**$ 11,305,758**	**$ 11,305,758**

	Predecessor		
	December 31, 2021		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Fixed maturity, bonds held-to-maturity			
U.S. treasury and government	Level 1	$ 12,284	$ 11,997
U.S. states and political subdivisions	Level 2	104,039	103,809
Foreign governments	Level 2	14,369	14,347
Corporate debt securities	Level 2	6,799,051	7,166,564
Residential mortgage-backed securities	Level 2	47,975	50,178
Collateralized debt securities	Level 2	111,263	111,894
Total fixed maturity, bonds held-to-maturity		**7,088,981**	**7,458,789**
Mortgage loans on real estate, net of allowance	Level 3	5,199,334	5,271,950
Policy loans	Level 3	365,208	365,208
Total financial assets		**$ 12,653,523**	**$ 13,095,947**
Financial liabilities			
Investment contracts	Level 3	$ 10,947,958	$ 10,947,958
Notes payable	Level 3	149,248	149,248
Total financial liabilities		**$ 11,097,206**	**$ 11,097,206**

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Note 10 – Deferred Policy Acquisition Costs and Value of Business Acquired

According to PGAAP Accounting, deferred policy acquisition costs (“DAC”) were written off as a result of the Merger with Brookfield Reinsurance. The beginning balance at May 25, 2022 represents the Value of Business Acquired ("VOBA") at that date. The changes in DAC are shown below (in thousands):

Successor	Life	Annuity	Health	Property & Casualty	Total
Beginning balance at May 25, 2022	**$ 38,640**	**$ 49,155**	**$ 3,977**	**$ 181,000**	**$ 272,772**
Additions	54,905	56,941	6,622	171,095	289,563
Amortization	(6,673)	(28,779)	(4,259)	(152,188)	(191,899)
Net change	**47,808**	**28,162**	**2,363**	**18,907**	**97,240**
Ending balance at September 30, 2022	**$ 86,448**	**$ 77,317**	**$ 6,340**	**$ 199,907**	**$ 370,012**

Predecessor	Life	Annuity	Health	Property & Casualty	Total
Beginning balance at January 1, 2022	**$ 956,045**	**$ 380,472**	**$ 29,348**	**$ 132,259**	**$ 1,498,124**
Additions	64,974	27,268	5,398	170,724	268,364
Amortization	(51,399)	(9,301)	(6,483)	(160,225)	(227,408)
Effect of change in unrealized gains on available-for-sale debt securities	10,753	188,274	—	—	199,027
Net change	**24,328**	**206,241**	**(1,085)**	**10,499**	**239,983**
Ending balance at May 24, 2022	**$ 980,373**	**$ 586,713**	**$ 28,263**	**$ 142,758**	**$ 1,738,107**

Commissions comprise the majority of additions to deferred policy acquisition costs.

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Note 11 – 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 condensed consolidated 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 condensed consolidated results of operations in the period in which the changes occur. The time value of money is not taken into account for the purposes 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 (in thousands):

	Successor	Predecessor	
	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022	Nine months ended September 30, 2021
Unpaid claims balance, beginning	$ 1,496,156	$ 1,455,080	$ 1,354,213
Less: Reinsurance recoverables	281,156	288,358	243,084
Net beginning balance	**1,215,000**	**1,166,722**	**1,111,129**
Incurred related to			
Current	510,825	562,144	960,748
Prior years	(20,344)	(21,106)	(65,493)
Total incurred claims	**490,481**	**541,038**	**895,255**
Paid claims related to			
Current	324,608	225,241	512,515
Prior years	122,718	267,519	335,065
Total paid claims	**447,326**	**492,760**	**847,580**
Net balance	**1,258,155**	**1,215,000**	**1,158,804**
Plus: Reinsurance recoverables	315,632	281,156	277,109
Unpaid claims balance, ending	**$ 1,573,787**	**$ 1,496,156**	**$ 1,435,913**

The net and gross reserve calculations have shown favorable development as a result of favorable loss emergence compared to what was implied by the loss development patterns used in the original estimation of losses in prior years. The favorable development in 2022 during the "Predecessor" period was a reflection of lower-than-anticipated settlement of losses emerging from commercial automotive, agribusiness, commercial business owner and guaranteed asset protection waiver lines of business, and for the "Successor" period a reflection of lower-than-anticipated settlement of losses emerging from Managing General Underwriting, credit health, worksite health, personal Auto, commercial auto and agribusiness lines of business . The favorable development in 2021 was a reflection of lower-than-anticipated settlement of losses arising from commercial automobile, agribusiness, private passenger automobile, guaranteed asset protection waiver, and collateral protection insurance 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, 2022 and December 31, 2021 was $11.0 million and $18.9 million, respectively.

Note 12 – Federal Income Taxes

A reconciliation of the effective tax rate to the statutory federal tax rate is shown below (in thousands, except percentages):

	Successor				Predecessor					
	Three months ended September 30, 2022		Period from May 25, 2022 through September 30, 2022		Period from January 1, 2022 through May 24, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2021	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Total expected income tax expense at the statutory rate	$ 40,827	21.0 %	$ 35,476	21.0 %	$ 35,113	21.0 %	$ 13,048	21.0 %	$117,616	21.0 %
Tax-exempt investment income	(899)	(0.5)	(1,204)	(0.7)	(1,811)	(1.1)	(1,182)	(1.9)	(3,465)	(0.6)
Dividend exclusion	(126)	(0.1)	(246)	(0.1)	(224)	(0.1)	(1,127)	(1.8)	(2,719)	(0.5)
Tax credits, net	(1,313)	(0.7)	(1,754)	(1.0)	(2,213)	(1.3)	(782)	(1.3)	(3,747)	(0.7)
Low income housing tax credit expense	890	0.5	1,159	0.7	1,344	0.8	955	1.5	3,843	0.7
Merger transaction costs	(4)	—	830	0.5	2,621	1.6	—	—	—	—
Deferred intercompany gains	—	—	—	—	(2,148)	(1.3)	—	—	—	—
Other items, net	1,660	1.0	20	—	295	0.2	898	1.5	1,782	0.3
Total	**$ 41,035**	**21.2 %**	**$ 34,281**	**20.4 %**	**$ 32,977**	**19.8 %**	**$ 11,810**	**19.0 %**	**$113,310**	**20.2 %**

As of September 30, 2022, American National had net operating loss and tax credit carryforwards of $32.1 million.

American National's federal income tax returns for tax years 2018 to 2021 are subject to examination by the Internal Revenue Service. In 2021, we filed amended returns for tax years 2017 and 2018 resulting in a tax refund. In April 2022, the IRS requested, and we accepted, a request to extend the statute of limitations on the 2018 tax year to October 2023 in order to allow more time to review our refund claim. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld.

As of September 30, 2022, American National had no provision for uncertain tax positions and no provision for penalties or interest. In addition, management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would impact American National's effective tax rate.

Note 13 – Accumulated Other Comprehensive Income (Loss)

According to PGAAP Accounting, the historic balance of accumulated other comprehensive income (loss) (“AOCI”) was eliminated as a result of the Merger with Brookfield Reinsurance. The components of and changes in AOCI are shown below (in thousands):

Successor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Accumulated Other Comprehensive Income (Loss)
Beginning balance at May 25, 2022	**$ —**	**$ —**	**$ —**	**$ —**
Amounts reclassified from AOCI	2,109	2,459	—	4,568
Unrealized losses arising during the period	(767,588)	—	—	(767,588)
Unrealized losses on investments attributable to participating policyholders’ interest	12,830	—	—	12,830
Foreign currency adjustment	—	—	(1,392)	(1,392)
Ending balance at September 30, 2022	**$ (752,649)**	**$ 2,459**	**$ (1,392)**	**$ (751,582)**

Predecessor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Accumulated Other Comprehensive Income (Loss)
Beginning balance at December 31, 2021	**$ 149,312**	**$ 546**	**$ (2,804)**	**$ 147,054**
Amounts reclassified from AOCI	(6,587)	4,800	—	(1,787)
Unrealized losses arising during the period	(782,002)	—	—	(782,002)
Unrealized adjustment to DAC	157,231	—	—	157,231
Unrealized losses on investments attributable to participating policyholders’ interest	10,648	—	—	10,648
Foreign currency adjustment	—	—	312	312
Ending balance at May 24, 2022	**$ (471,398)**	**$ 5,346**	**$ (2,492)**	**$ (468,544)**

Predecessor	Net Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plan Adjustments	Foreign Currency Adjustments	Accumulated Other Comprehensive Income (Loss)
Beginning balance at December 31, 2020	**$ 292,166**	**$ (67,130)**	**$ (2,866)**	**$ 222,170**
Amounts reclassified from AOCI	(24,424)	8,452	—	(15,972)
Unrealized losses arising during the period	(102,943)	—	—	(102,943)
Unrealized adjustment to DAC	19,470	—	—	19,470
Unrealized losses on investments attributable to participating policyholders’ interest	4,312	—	—	4,312
Foreign currency adjustment	—	—	122	122
Ending balance at September 30, 2021	**$ 188,581**	**$ (58,678)**	**$ (2,744)**	**$ 127,159**

Unrealized losses increased during the period ended September 30, 2022 compared to December 31, 2021, as a result of an increase in benchmark ten-year interest rates, which were 3.8% and 1.5%, respectively, and widening credit spreads on corporate bonds. The Company does not currently intend to sell nor does it expect to be required to sell any of the securities in an unrealized loss position.

Note 14 – Stockholders’ Equity and Noncontrolling Interests

Prior to the merger with Brookfield Reinsurance, ANAT had one class of common stock with a par value $0.01 per share and 50,000,000 authorized shares. Each issued and outstanding share of the Company's common stock was converted into the right to receive $190.00 in cash without interest pursuant to the Merger Agreement that was announced by the Company on August 9, 2021. Refer to Note 1, Nature of Operations, for more information. As of September 30, 2022, ANAT had 100,000 shares authorized with a par value of $1.00 and 2,743 shares issued and outstanding. These successor shares were issued as part of certain pre-close and post-close funding steps and are all owned by BAMR US Holdings LLC, which is an indirect wholly owned subsidiary of Brookfield Reinsurance. The number of shares outstanding at the dates indicated are shown below:

	Successor	Predecessor
	September 30, 2022	December 31, 2021
Common stock		
Shares issued	2,743	26,887,200
Restricted shares	—	(10,000)
Unrestricted outstanding shares	**2,743**	**26,877,200**

Stock-based Compensation

American National made grants of Restricted Stock (“RS”) Awards, and Restricted Stock Units (“RSU”), pursuant to a stock-based compensation plan. The term for granting additional awards under such plan expired in 2019. Pursuant to the plan, grants were made to certain officers meeting established performance objectives, and grants were made to directors as compensation and to align their interests with those of other shareholders. In addition, American National made grants to directors and advisory directors of RSUs that were cash-settled only, with no provision for conversion to stock. On May 2, 2022, 10,197 of such cash-settled RSUs, which were granted in 2021 and represented all outstanding RSUs at such time, vested and there were no outstanding RSUs at September 30, 2022 as shown in the table below.

Pursuant to the Merger Agreement with Brookfield Reinsurance, on the Closing Date, each outstanding and unvested RS award vested and was converted into the right to receive cash payment equal to $190.00 multiplied by the total number of shares of common stock subject to such award. Refer to Note 1, Nature of Operations, for more information.

Note 14 – Stockholders' Equity and Noncontrolling Interests – (Continued)

Statutory Capital and Surplus

Risk Based Capital ("RBC") is a measure defined by the National Association of Insurance Commissioners ("NAIC") and is used by insurance regulators to evaluate the capital adequacy of American National's insurance subsidiaries. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general business risks. Insurance companies that do not maintain capital and surplus at a level at least 100% of the company action level RBC are required to take certain actions. At September 30, 2022 and December 31, 2021, the statutory capital and surplus of American National Insurance Company ("ANICO") was $3.5 billion and $4.0 billion, respectively, which resulted in an RBC level of 403% and 401% of the company action level. All of our other insurance subsidiaries had statutory capital and surplus at September 30, 2022 and December 31, 2021, above 200% of the company action level.

American National's insurance subsidiaries prepare financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of each subsidiary's state of domicile, which include certain components of the National Association of Insurance Commissioners' Codification of Statutory Accounting Principles ("NAIC Codification"). NAIC Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting practices continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the statutory capital and surplus of our insurance subsidiaries.

Statutory accounting differs from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, and valuing securities on a different basis. In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus.

One of American National's insurance subsidiaries has been granted a permitted practice from the Missouri Department of Insurance to record as the valuation of its investment in a wholly-owned subsidiary that is the attorney-in-fact for a Texas domiciled insurer, the statutory capital and surplus of the Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of both ANICO and American National Lloyds Insurance Company by $73.7 million and $68.1 million at September 30, 2022 and December 31, 2021, respectively. The statutory capital and surplus of both ANICO and American National Lloyds Insurance Company would have remained above the authorized control level RBC had it not used the permitted practice.

The statutory capital and surplus and net income (loss) of our life and property and casualty insurance entities in accordance with statutory accounting practices are shown below (in thousands):

	September 30, 2022	December 31, 2021
Statutory capital and surplus		
Life insurance entities	$ 1,984,689	$ 2,425,759
Property and casualty insurance entities	1,560,036	1,570,501

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Statutory net income (loss)				
Life insurance entities	$ 232,859	$ (16,116)	$ 323,101	(67,290)
Property and casualty insurance entities	2,317	10,825	(2,653)	67,976

Note 14 – Stockholders' Equity and Noncontrolling Interests – (Continued)

Dividends

We paid a quarterly dividend of $0.82 per share for each quarter during the nine months ended September 30, 2021, and we paid a quarterly dividend of $0.82 during the first quarter of 2022, prior to the completion of the Merger with Brookfield Reinsurance effective May 25, 2022.

Under the terms of the Merger Agreement with Brookfield Reinsurance, American National was not permitted to pay cash dividends prior to the closing of the Merger, except for quarterly cash dividends of not more than $0.82 per share, with record and payment dates set forth on an agreed schedule that reflected American National's historical dividend amounts, record dates and payment dates. Consistent with that schedule, American National paid four quarterly cash dividends after the Merger Agreement was signed on August 6, 2021.

The amount of dividends paid by our insurance company subsidiaries is restricted by insurance law. These restrictions are based, in part, on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior regulatory approval. Dividends in larger amounts, or extraordinary dividends, are subject to approval by the insurance commissioner of the relevant state of domicile. For example, restrictions applicable to Texas-domiciled life insurance companies like ANICO limit the payment of dividends to the greater of the prior year's statutory net gain from operations before realized capital gains, or 10% of prior year statutory surplus, in each case determined in accordance with statutory accounting principles. ANICO is permitted without prior approval of the Texas Department of Insurance to pay total dividends of $792.4 million during 2022.

ANICO paid a cash dividend of $639.0 million to American National Group, LLC on August 1, 2022.

Noncontrolling Interest

American National County Mutual Insurance Company ("County Mutual") is a mutual insurance company owned by its policyholders. ANICO has a management agreement that effectively gives it control of County Mutual. As a result, County Mutual is included in the condensed consolidated financial statements of American National. Policyholder interests in the financial position of County Mutual are reflected as noncontrolling interest $6.8 million at September 30, 2022 and December 31, 2021.

American National Group, LLC and its subsidiaries exercise control or ownership of various joint ventures, resulting in their consolidation into American National's condensed consolidated financial statements. The interests of the other partners in the consolidated joint ventures are shown as a noncontrolling interest of $0.4 million and $0.9 million at September 30, 2022 and December 31, 2021, respectively.

Note 15 – Debt

On May 25, 2022, the Company entered into a Term Loan Agreement with a consortium of banks providing for five-year term loans in the aggregate principal amount of $1.5 billion maturing May 23, 2027. Interest is tied to SOFR and reset and paid quarterly. The all in rate at the end of the third quarter was 4.23%. On June 13, 2022, the Company repaid $500 million under the Term Loan Agreement and at September 30, 2022 had $1.0 billion principal amount outstanding. The carrying amortization was reduced by $4.4 million due to the issuance cost.

In June 2022, the Company issued $500 million of 6.144% unsecured Senior Notes maturing June 13, 2032. Interest will be payable in arrears on June 13 and December 13 of each year, beginning December 13, 2022, and at maturity. Such notes were offered under Rule 144A of the Securities Act of 1933, as amended. The proceeds from the Senior Notes were used to repay a portion of the Term Loan Agreement. The carrying amortization was reduced by $3.8 million due to the issuance cost.

Note 16 – Commitments and Contingencies

Commitments

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobiles. The remaining long-term lease commitments at September 30, 2022 were approximately $14.1 million.

American National had aggregate commitments at September 30, 2022 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $2.0 billion, of which $807.1 million is expected to be funded in 2022, with the remainder funded in 2023 and beyond.

American National had outstanding letters of credit in the amount of $3.5 million as of September 30, 2022 and December 31, 2021.

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, 2022, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $18.7 million and commercial mortgage loans of approximately $1.3 billion were on deposit with the FHLB as collateral for borrowing. As of September 30, 2022, the collateral provided borrowing capacity of approximately $871.1 million. The deposited securities and commercial mortgage loans are included in the Company's condensed consolidated statements of financial position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Guarantees

ANICO has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by ANICO. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, ANICO would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of September 30, 2022, was approximately $121.4 million, while the total cash value of the related life insurance policies was approximately $142.0 million.

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 of these 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 American National's condensed consolidated 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 17 – Related Party Transactions

American National has entered into recurring transactions and agreements with certain related parties. Prior to the Merger, these included mortgage loans, management contracts, agency commission contracts, marketing agreements, health insurance contracts, and legal services. The impact on the condensed consolidated financial statements of significant related party transactions is discussed below.

From time to time, American National may participate in investment opportunities from entities classified as related parties to Brookfield Reinsurance, including collateral and mortgage loans. During the third quarter, these investments totaled $570.0 million and are accounted for in the same manner as those with unrelated parties in the interim financial statements.