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

Condensed Consolidated Financial Statements

September 30, 2023

AMERICAN NATIONAL GROUP, LLC

TABLE OF CONTENTS

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

	September 30, 2023	December 31, 2022
ASSETS		
Fixed maturity, bonds available-for-sale, at fair value (Allowance for credit losses of $16,466 in 2023 and $28,708 in 2022) (Amortized cost $13,325,007 in 2023 and $14,447,537 in 2022)	$ 12,352,608	$ 13,512,819
Equity securities, at fair value (Cost $747,160 in 2023 and $456,723 in 2022)	829,213	428,369
Mortgage loans on real estate, net of allowance for credit losses of $31,283 in 2023 and $38,266 in 2022	5,661,116	5,546,175
Policy loans	383,077	374,481
Real estate and real estate partnerships, net of accumulated depreciation of $316,645 in 2023 and $304,402 in 2022	2,836,407	1,035,719
Investment funds	2,214,058	1,226,471
Short-term investments	3,501,024	1,836,678
Other invested assets	432,524	198,079
Total investments	**28,210,027**	**24,158,791**
Cash and cash equivalents	2,264,428	1,388,943
Accrued investment income	303,505	288,841
Reinsurance recoverables	279,244	444,170
Prepaid reinsurance premiums	42,452	46,754
Premiums due and other receivables	500,653	436,264
Deferred policy acquisition costs	911,189	664,478
Market risk benefit	13,616	10,330
Property and equipment, net of accumulated depreciation of $329,664 in 2023 and $314,288 in 2022	161,672	186,008
Deferred tax asset	396,105	439,114
Current tax receivable	17,990	22,326
Other assets	302,033	287,648
Assets held-for-sale	261,404	—
Goodwill	121,097	121,097
Separate account assets	1,090,390	1,045,217
Total assets	**$ 34,875,805**	**$ 29,539,981**
LIABILITIES		
Future policy benefits		
Life	$ 3,355,099	$ 3,336,141
Annuity	1,990,680	1,466,192
Health	58,618	56,938
Policyholders’ account balances	17,070,485	14,309,971
Policy and contract claims	1,702,758	1,786,275
Market risk benefits, at estimated fair value	61,804	54,340
Unearned premium reserve	1,161,410	1,085,882
Other policyholder funds	322,666	322,067
Liability for retirement benefits	58,689	66,938
Long-term debt	1,498,386	1,495,774
Notes payable	170,155	150,913
Other liabilities	648,970	607,880
Liabilities held-for-sale	244,603	—
Separate account liabilities	1,090,390	1,045,217
Total liabilities	**29,434,713**	**25,784,528**
EQUITY		
American National stockholders' equity:		
Member's equity	5,671,552	4,128,892
Accumulated other comprehensive loss	(333,163)	(447,707)
Total American National stockholders' equity	**5,338,389**	**3,681,185**
Noncontrolling interest	102,703	74,268
Total equity	**5,441,092**	**3,755,453**
Total liabilities and equity	**$ 34,875,805**	**$ 29,539,981**

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
PREMIUMS AND OTHER REVENUES					
Premiums					
Life	$ 106,525	$ 113,458	$ 320,304	$ 144,690	$ 174,290
Annuity	153,889	6,076	713,940	9,252	10,221
Health	18,082	32,786	58,733	43,091	53,810
Property and Casualty	504,676	481,015	1,472,405	628,508	741,011
Other policy revenues	106,391	95,797	306,420	126,618	158,515
Net investment income	338,998	262,182	1,062,117	363,193	384,808
Net realized investment gains (loss)	(14,677)	(3,604)	(64,710)	(3,100)	21,073
(Increase) decrease in investment credit loss	20,325	(16,268)	7,278	(49,474)	(14,857)
Net gains (losses) on equity securities	(12,703)	213	30,052	(11,325)	(13,082)
Other income	10,566	10,388	33,751	13,866	18,887
Total premiums and other revenues	**1,232,072**	**982,043**	**3,940,290**	**1,265,319**	**1,534,676**
BENEFITS, LOSSES AND EXPENSES					
Policyholder benefits & claims	713,143	506,277	2,403,702	688,224	831,019
Change in fair value of market risk benefit	(14,035)	—	(21,564)	—	—
Interest credited to policyholders' account balances	155,517	27,038	431,480	31,774	52,825
Future policy benefit remeasurement losses	3,563	—	2,628	—	—
Commissions for acquiring and servicing policies	197,467	183,534	590,791	245,395	264,389
Other operating expenses	186,811	164,114	555,397	229,340	260,193
Change in deferred policy acquisition costs	(71,728)	(92,228)	(213,924)	(97,241)	(40,956)
Total benefits, losses and expenses	**1,170,738**	**788,735**	**3,748,510**	**1,097,492**	**1,367,470**
Income before federal income tax and other items	**61,334**	**193,308**	**191,780**	**167,827**	**167,206**
Less: Provision (benefit) for federal income taxes					
Current	2,063	31,729	16,362	28,611	56,562
Deferred	6,566	9,306	11,842	5,670	(23,585)
Total provision for federal income taxes	**8,629**	**41,035**	**28,204**	**34,281**	**32,977**
Income after federal income tax	**52,705**	**152,273**	**163,576**	**133,546**	**134,229**
Other components of net periodic pension benefit (costs), net of tax	2,158	1,034	2,688	1,379	(1,625)
Net income	**54,863**	**153,307**	**166,264**	**134,925**	**132,604**
Less: Net income attributable to noncontrolling interest, net of tax	1,228	164	3,213	2,110	1,554
Net income attributable to American National	**$ 53,635**	**$ 153,143**	**$ 163,051**	**$ 132,815**	**$ 131,050**

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Net income	**$ 54,863**	**$ 153,307**	**$ 166,264**	**$ 134,925**	**$ 132,604**
Other comprehensive income (loss), net of tax					
Change in net unrealized losses on securities	(132,573)	(494,169)	(8,207)	(749,795)	(620,710)
Change in discount rate for liability for future policyholder benefit	181,930	—	138,738	—	—
Change in instrument specific credit risk for market risk benefit	(5,361)	—	(20,483)	—	—
Foreign currency transaction and translation adjustments	(278)	1,546	155	1,100	312
Defined benefit pension plan adjustment	1,450	(3,501)	4,341	(2,887)	4,800
Total other comprehensive income (loss), net of tax	**45,168**	**(496,124)**	**114,544**	**(751,582)**	**(615,598)**
Total comprehensive income (loss)	**100,031**	**(342,817)**	**280,808**	**(616,657)**	**(482,994)**
Less: Comprehensive income attributable to noncontrolling interest	1,228	164	3,213	2,110	1,554
Total comprehensive income (loss) attributable to American National	**$ 98,803**	**$ (342,981)**	**$ 277,595**	**$ (618,767)**	**$ (484,548)**

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	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Member's Equity
Balance at January 1, 2023	**$ 4,128,892**	**$ (447,707)**	**$ 74,268**	**$ 3,755,453**
Other comprehensive income	—	228,747	—	228,747
Net income attributable to American National	8,894	—	—	8,894
Distributions	—	—	(4,177)	(4,177)
Net income attributable to noncontrolling interest	—	—	4,758	4,758
Balance at March 31, 2023	**$ 4,137,786**	**$ (218,960)**	**$ 74,849**	**$ 3,993,675**
Other comprehensive loss	$ —	$ (159,371)	$ —	$ (159,371)
Net income attributable to American National	100,522	—	—	100,522
Contributions	—	—	27,906	27,906
Net loss attributable to noncontrolling interest	—	—	(2,773)	(2,773)
Balance at June 30, 2023	**$ 4,238,308**	**$ (378,331)**	**$ 99,982**	**$ 3,959,959**
Other comprehensive income	$ —	$ 45,168	$ —	$ 45,168
Net income attributable to American National	53,635	—	—	53,635
Capital contribution	2,129,609	—	—	2,129,609
Dividend	(750,000)	—	—	(750,000)
Contributions	—	—	1,493	1,493
Net income attributable to noncontrolling interest	—	—	1,228	1,228
Balance at September 30, 2023	**$ 5,671,552**	**$ (333,163)**	**$ 102,703**	**$ 5,441,092**

Successor	Common Stock	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance at May 25, 2022	**$ —**	**$ 3,613,949**	**$ —**	**$ 9,881**	**$ 3,623,830**
Common stock issued	3	191,120	—	—	191,123
Other comprehensive loss	—	—	(255,458)	—	(255,458)
Net income 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 at June 30, 2022	**$ 3**	**$ 3,784,741**	**$ (255,458)**	**$ 7,594**	**$ 3,536,880**
Other comprehensive loss	$ —	$ —	$ (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 at September 30, 2022	**$ 3**	**$ 3,937,884**	**$ (751,582)**	**$ 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**
Amortization of restricted stock		20	—	—	—	20
Other comprehensive loss	—	—	(371,865)	—	—	(371,865)
Net income attributable to American National	—	—	—	108,769	—	108,769
Cash dividends to common stockholders (declared per share of $0.82)	—	—	—	(22,048)	—	(22,048)
Contributions/Distributions	—	—	—	—	214	214
Net income attributable to noncontrolling interest	—	—	—	—	1,412	1,412
Balance at March 31, 2022	**$ 269**	**$ 47,782**	**$ (224,811)**	**$ 6,886,004**	**$ 9,317**	**$ 6,718,561**
Amortization of restricted stock	$ —	$ (727)	$ —	$ —	$ —	$ (727)
Other comprehensive loss	—	—	(243,733)	—	—	(243,733)
Net income attributable to American National	—	—	—	22,281	—	22,281
Contributions/Distributions	—	—	—	—	422	422
Net income attributable to noncontrolling interest	—	—	—	—	142	142
Balance at May 24, 2022	**$ 269**	**$ 47,055**	**$ (468,544)**	**$ 6,908,285**	**$ 9,881**	**$ 6,496,946**

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Successor	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
OPERATING ACTIVITIES			
Net income	$ 166,264	$ 134,925	$ 132,604
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment (gains) losses	64,342	6,396	(21,073)
Unrealized (gains) loss on investments and derivatives	(72,113)	52,593	207,508
Income tax expense	33,259	28,611	56,562
Increase (decrease) in investment credit loss	(552)	49,474	14,857
Accretion of premiums, discounts and loan origination fees	(129,104)	(16,909)	7,016
Net capitalized interest on policy loans and mortgage loans	2,612	(9,435)	(5,599)
Depreciation	25,525	13,982	15,571
Interest credited to policyholders’ account balances	431,480	31,773	52,826
Charges to policyholders’ account balances	(306,420)	(126,619)	(158,514)
Deferred federal income tax expense (benefit)	(5,055)	5,670	(23,585)
Equity in earnings of unconsolidated affiliates	—	(57,300)	(134,100)
Distributions from unconsolidated affiliates	59,678	—	138,086
Income from equity method investments	(109,935)	—	—
Changes in:			
Policyholder liabilities	908,189	185,449	76,277
Market risk benefit	(21,564)	—	—
Deferred policy acquisition costs	(213,924)	(97,240)	(40,956)
Reinsurance payables	(20,809)	(57,481)	3,754
Premiums due and other receivables	(107,428)	(3,010)	(54,900)
Prepaid reinsurance premiums	4,302	(3,436)	2,078
Accrued investment income	(22,574)	(101,500)	92,369
Liability for retirement benefits	(14,754)	(24,341)	(2,283)
Other, net	6,913	102,844	(456,628)
Operating activities affecting cash:			
Realized gain on investments and derivatives	(1,794)	—	(16,228)
Net cash provided by (used in) operating activities	**676,538**	**114,446**	**(114,358)**
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of:			
Corporate bonds	3,160,360	1,951,462	922,047
Preferred shares	73,707	289	67,410
Commercial paper	—	5,665,905	11,836,896
Government bonds and treasuries	8,156,600	68,046	56,670
Real estate and real estate partnerships	—	—	5,375
Mortgages	370,953	458,988	520,249
Private equity and other	83,896	55,989	77,679
Disposals of property and equipment	151,680	21	—
Distributions from equity method investments	73,603	169,127	110,114
Payment for the purchase/origination of:			
Corporate bonds	(3,560,103)	(953,015)	(2,181,407)
Preferred shares	(166,263)	(37,824)	(26,899)
Government bonds and treasuries	(8,743,519)	(5,814)	(8,946)
Real estate and real estate partnerships	(232,666)	—	(2,825)
Mortgages	(488,924)	(689,963)	(489,290)
Private equity and other	(98,708)	(777,622)	(108,574)
Commercial paper	—	(5,118,620)	(11,352,754)

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

	Successor	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Additions to property and equipment	(100,760)	(13,085)	(14,837)
Contributions to real estate and real estate partnerships	(460,328)	(214,417)	—
Contributions to equity method investments	—	—	(125,114)
Change in collateral held for derivatives	55,439	(13,599)	(147,240)
Net change in policy loans	(8,596)	—	(2,408)
Other, net	20,773	679	99
Net cash provided by (used in) investing activities	**(1,712,856)**	**550,315**	**(863,755)**
FINANCING ACTIVITIES			
Issuance of equity	—	45,000	—
Policyholders' account deposits	4,479,766	904,790	587,664
Policyholders' account withdrawals	(1,844,314)	(485,451)	(506,159)
Borrowings from external parties	—	500,000	11,991
Repayment of borrowings to external parties	—	(500,000)	(2,747)
Debt issuance costs	—	(5,145)	—
Change in notes payable	—	—	—
Dividends to stockholders	(750,000)	—	(22,048)
Payments to noncontrolling interest	26,351	(4,752)	—
Net cash provided by financing activities	**1,911,803**	**454,442**	**68,701**
Net increase (decrease) in cash and cash equivalents, including subsidiaries held-for-sale	**875,485**	1,119,203	**(909,413)**
Cash and cash equivalents at beginning of the period	1,388,943	1,022,635	1,930,882
Cash and cash equivalents at end of the period	**$ 2,264,428**	**2,141,838**	**$ 1,021,469**
Supplementary cash flow disclosure			
Non-cash capital contribution	$ 2,129,609	$ —	$ —

See accompanying 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, pension risk transfer, 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 Reinsurance Ltd., formerly known as Brookfield Asset Management Reinsurance Partners Ltd., 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. As a result, the successor period consists of the three and nine months ended September 30, 2023 and the comparative period from May 25, 2022 to September 30, 2022. The predecessor period consists of January 1, 2022 through May 24, 2022.

Note 2 – Summary of Significant Accounting Policies and Practices

Basis Presentation

The condensed consolidated financial statements and notes thereto have been prepared in conformity with Generally Accepted Accounting Principles ("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 entities, 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 accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. 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, 2022, 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.

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. Except for balances affected by the adoption of *Accounting Standards Update ("ASU") 2018-12* noted below, the December 31, 2022 consolidated balance sheet data was derived from audited consolidated financial statements which include all disclosures required by GAAP.

Business Combination

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

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

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, 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 columns are titled "Predecessor" and "Successor". This division has been placed to recognize Purchase GAAP Accounting adjustments made and the resulting effect on comparability between the two periods.

Accounting for the business combination is finalized as of December 31, 2022. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation occurred before the end of the measurement period.

Table of Contents

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

Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded at fair value at the date of acquisition. The following table summarizes the fair value of assets acquired and liabilities assumed as of May 25, 2022 (in thousands):

American National Group, LLC Consolidated Balance Sheet*	Company Opening Balance Sheet
ASSETS	
Fixed maturity securities, bonds available for sale, at estimated fair value	$ 15,312,504
Equity securities, at estimated fair value	81,925
Mortgage loans on real estate, net of allowance for credit losses	5,136,421
Policy loans	367,616
Real estate and real estate partnerships, net of accumulated depreciation	968,264
Investment funds	987,577
Short-term investments	1,465,662
Other invested assets	142,027
Total investments	**24,461,996**
Cash and cash equivalents	1,021,469
Accrued investment income	100,544
Reinsurance recoverables	454,867
Prepaid reinsurance premiums	45,711
Premiums due and other receivables	437,462
Property and equipment, net of accumulated depreciation	175,080
Deferred tax assets	374,185
Prepaid pension	149,093
Intangible asset - VOBA	316,644
Other assets	166,029
Goodwill	121,097
Separate account assets	1,123,432
Total assets	**28,947,609**
LIABILITIES	
Future policy benefits	
Life	2,761,227
Annuity	1,431,862
Health	46,352
Policyholders’ account balances	13,880,194
Policy and contract claims	1,705,623
Market risk benefits, at estimated fair value	172,012
Unearned premium reserve	1,072,989
Other policyholder funds	323,567
Liability for retirement benefits	73,926
Intangible liability - VOBA	691,888
Long-term Debt	1,494,627
Notes payable	158,492
Current tax payable	13,610
Other liabilities	375,141
Separate account liabilities	1,123,432
Total liabilities	**25,324,942**
EQUITY	
Additional paid-in capital	3,612,786
Total American National equity	**3,612,786**
Noncontrolling interest	9,881
Total equity	**3,622,667**
Total liabilities and equity	**$ 28,947,609**

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

Adoption of ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts

The Company adopted *ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI")* effective January 1, 2023 with a transition date of May 25, 2022 using a full retrospective approach. LDTI resulted in significant changes to the measurement, presentation and disclosure requirements for long-duration insurance contracts. A summary of the most significant changes follows:

(1) Guaranteed benefits associated with certain annuity contracts have been classified and presented separately on the consolidated balance sheets as Market Risk Benefits ("MRB"). MRBs are now measured at estimated fair value through net income and reported separately on the consolidated statements of operations, except for nonperformance risk changes, which will be recognized in Other Comprehensive Income ("OCI").

(2) Cash flow assumptions used to measure the liability for future policy benefits ("LFPB") on traditional long-duration contracts (including term and non-participating whole life insurance and immediate annuities) have been updated on an annual basis.

(3) The discount rate assumption used to measure the liability for traditional long-duration contracts is now based on an upper-medium grade discount rate with changes recognized in OCI.

(4) DAC for all insurance products is required to be amortized on a constant-level basis over the expected term of the contracts, using amortization methods that are not a function of revenue or profit emergence.

(5) There was a significant increase in required disclosures, including disaggregated rollforwards of insurance contract assets and liabilities supplemented by qualitative and quantitative information regarding the cash flows, assumptions, methods and judgements used to measure those balances.

The following table presents the Company's significant accounting policies which have changed as a result of the adoption of LDTI with cross-references to the notes which provide additional information on such policies.

Accounting Policy	Note
Deferred policy acquisition costs, value of business acquired, unearned revenue and other intangibles	10
Future policy benefit liabilities	18
Policyholder account balances	19
Market risk benefits	21

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,* existing DAC balance was written off as a result of the Merger. The beginning balance as of May 25, 2022 consists of the Value of Business Acquired ("VOBA") at that date.

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

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

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

The bases used for amortization are projected using mortality and lapse assumptions that are based on American National's experience, industry data, and other factors consistent with those used for the liability for future policy benefits.

Amortization of DAC is included in the change in deferred acquisition costs in the consolidated statement of operations.

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

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

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

Liability for future policy benefits ("LFPB") is equal to the present value of expected benefit payments and claim related expenses to be paid or on behalf of policyholders less the present value of expected net premiums to be collected from policyholders. Principal assumptions used in the establishment of the LFPB are mortality, lapse, incidence, terminations, claim-related expenses, and other contingent events as appropriate to the respective product type. American National groups contracts into annual cohorts based on product type and contract inception date for the purposes of calculating the liability for future policy benefits. A set of qualitative cohorts includes all business issued prior to the acquisition date. Another set of qualitative cohorts includes business issued between the acquisition date and year end 2022. In 2023 and beyond, there is a set of qualitative cohorts for each issue year.

American National updates its estimate of cash flows over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. American National will review cash flow assumptions, including assumptions for claim-related expenses annually in the fourth quarter. Assumption revisions will be reflected in the net premium ratio and LFPB calculation in the quarter in which assumptions are revised. The net premium ratio reflects cash flows from contract inception to contract termination (i.e.: through the claim paying period) and cannot exceed 100%. Change in the liability due to actual experience is recognized in reserve remeasurement (gains) losses in the consolidated statement of earnings.

American National measures the LFPB at each reporting period. The discount rate assumption is determined by developing a yield curve based on market observable yields for upper-medium fixed income instruments derived from an external index. The net premium ratio is not updated for changes in discount rate assumptions. The difference between the updated carrying amount of the liability for future policy benefits measured using the current discount rate assumption and the original discount rate assumption is recognized in other comprehensive income during the period.

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

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

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

Payout annuities include single premium immediate annuities, annuitizations of deferred annuities, and pension risk transfer. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as investment contracts. For life contingent annuities, the Company records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and expense assumptions. Any gross premiums received in excess of the net premium is the deferred profit liability ("DPL") and is recognized separately in income in a constant relationship with the discounted amount of the insurance in-force or expected future benefit payments. These liabilities are recorded in policy liabilities in the consolidated statement of financial position.

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 $4.3 million and $4.2 million at September 30, 2023 and 2022, respectively. Income of $0.4 million and $8.0 million was allocated to participating policyholders at September 30, 2023 and 2022, 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.

Market risk benefits ("MRB") are measured at fair value at the cohort level. Total attributed fees will include explicit rider fees and will not be negative or exceed total contract fees and assessments collectible from the contract holder. There are only rider charges and surrender charges. Surrender charges will not be included in the fair value measurement, as surrender charges do not fund any future benefits. Cash flows are projected using risk-neutral scenarios generated by the company. The Company establishes MRB assets and liabilities for guaranteed minimum withdraw benefits ("GMWB") associated with equity-indexed annuity contracts.

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

Transition Date Impacts

Due to the acquisition of American National by Brookfield Reinsurance on May 25, 2022 and the guidelines under ASC 805, Business Combinations, the inception date for all contracts issued before that date became May 25, 2022. Under purchase accounting guidelines, fair value of equity must be equal to the purchase price at the acquisition date. As a result, there will not be any impact to the opening balances of retained earnings or accumulated other comprehensive income due to the adoption of the standard on the transition date of May 25, 2022.

The transition impact of the MRBs and LFPB will be recorded to VOBA liability resulting in no impact to shareholders equity, as noted above.

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

The following table presents a summary of the Transition Date impacts associated with the implementation of LDTI to the consolidated balance sheet (in thousands):

	Future Policy Benefits	Market Risk Benefits	VOBA Liability
As previously reported May 25th, 2022	$ 4,662,434	$ —	$ 440,907
Reclassification of carrying amount of contracts and contract features that are market risk benefits	(107,432)	107,432	—
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(315,561)	64,580	250,981
As adjusted May 25th, 2022	**$ 4,239,441**	**$ 172,012**	**$ 691,888**

The following table represents transition impacts for future policy benefits by segment.

	Term Life	Whole Life	Annuity
As previously reported May 25th, 2022	$ 615,782	$ 1,694,351	$ 1,439,449
Reclassification of carrying amount of contracts and contract features that are market risk benefits	—	—	—
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	(84,761)	(223,213)	(7,586)
As adjusted May 25th, 2022	**$ 531,021**	**$ 1,471,138**	**$ 1,431,863**

The following table represents the transition impact to market risk benefits by segment.

	Annuity
As previously reported May 25th, 2022	$ 107,432
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the Brookfield acquisition	64,580
As adjusted May 25th, 2022	**$ 172,012**

The Transition Date impacts associated with the implementation of LDTI were applied as follows:

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

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

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

Liability for future policy benefits - The full retrospective transition approach for LFPB utilized a defined valuation premium method. This process required grouping contracts in-force as of the Transition Date into cohorts, and then calculating revised LFPB using an updated net premium ratio, best estimate cash flow assumptions without a provision for adverse deviation and the locked-in discount rate. The decrease to the liability for future policy benefits at transition is driven by unlocking of assumptions and measurement at upper medium grade discount rates for traditional life and life contingent payout annuity business.

Due to the acquisition of American National by Brookfield Reinsurance on May 25, 2022 , the balances of deferred acquisition costs, deferred profit liability, unearned revenue, and sales inducement assets were written down to $0 at the acquisition date. As a result, there is no impact to these balances at transition.

Note 3 – Recently Issued Accounting Pronouncements

The following table presents amounts previously reported in 2022, the effect on those amounts of the change due to the adoption of ASU 2018-12 as described in Note 2, and the currently reported amounts in the Unaudited Interim Consolidated Statement of Financial Position (in thousands).

	December 31, 2022		
	As Previously Reported	Effect of Adoption	As Adjusted
Reinsurance recoverables, net of allowance for credit losses	$ 447,124	$ (2,954)	$ 444,170
Deferred policy acquisition costs	681,708	(17,230)	664,478
Deferred tax asset	527,768	(88,654)	439,114
Market risk benefit asset	—	—	—
Other assets	291,875	10,330	302,205
Total assets	**$ 29,642,716**	**$ 98,508**	**$ 29,741,224**
Future policy benefits			
Life	$ 3,584,520	$ (248,379)	$ 3,336,141
Annuity	1,713,528	(247,336)	1,466,192
Health	47,045	9,893	56,938
Market risk benefit liabilities	—	54,340	54,340
Total liabilities	**26,220,236**	**(431,482)**	**25,788,754**
Retained earnings	264,752	59,068	323,820
Accumulated other comprehensive income (loss)	(721,612)	273,905	(447,707)
Total liabilities and equity	**$ 29,642,716**	**$ (98,509)**	**$ 29,544,207**

Other Adopted Accounting Pronouncements

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

Note 3 - Recently Issued Accounting Pronouncements - (Continued)
Future Adoption of Accounting Standards

ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company's interim condensed consolidated financial statements or disclosures.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
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 issued ASU 2022-06 that delayed the sunset date to 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 not expected to have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements.
ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method	The amendments in this Update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this Update also require specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method.	The amendments in this update are effective for the Company for annual and interim reporting periods beginning January 1, 2024.	The impact of this amendment to the Company's Consolidated Financial Statements and Notes to the Consolidated Financial Statements is currently under evaluation.

Note 4 – Investment in Securities

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

	September 30, 2023				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	$ 67,080	$ —	$ (2,836)	$ —	$ 64,244
U.S. states and political subdivisions	775,752	—	(50,024)	(202)	725,526
Foreign governments	9,381	—	(653)	—	8,728
Corporate debt securities	10,721,546	43,896	(911,200)	(10,591)	9,843,651
Collateralized debt securities	1,626,990	15,557	(45,257)	(5,125)	1,592,165
Residential mortgage-backed securities	124,258	11	(5,427)	(548)	118,294
Total bonds available-for-sale	**13,325,007**	**59,464**	**(1,015,397)**	**(16,466)**	**12,352,608**
Total investments in fixed maturity	**$ 13,325,007**	**$ 59,464**	**$ (1,015,397)**	**$ (16,466)**	**$ 12,352,608**

	December 31, 2022				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity, bonds available-for-sale					
U.S. treasury and government	$ 41,384	$ 30	$ (1,405)	$ —	$ 40,009
U.S. states and political subdivisions	880,186	123	(24,706)	(742)	854,861
Foreign governments	9,314	—	(298)	(12)	9,004
Corporate debt securities	12,104,754	6,020	(830,095)	(23,049)	11,257,630
Collateralized debt securities	1,279,102	5,300	(55,261)	(4,574)	1,224,567
Residential mortgage-backed securities	132,797	23	(5,741)	(331)	126,748
Total bonds available-for-sale	**14,447,537**	**11,496**	**(917,506)**	**(28,708)**	**13,512,819**
Total investments in fixed maturity	**$ 14,447,537**	**$ 11,496**	**$ (917,506)**	**$ (28,708)**	**$ 13,512,819**

Note 4 – Investment in Securities – (Continued)

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

	September 30, 2023	
	Bonds Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 431,217	$ 426,508
Due after one year through five years	4,932,115	4,746,804
Due after five years through ten years	3,880,361	3,571,707
Due after ten years	4,081,314	3,607,589
Total	**$ 13,325,007**	**$ 12,352,608**

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):

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Proceeds from sales of fixed maturity, bonds available-for-sale	$ 253,219	$ 1,347,811	$ 1,940,603	$ 1,350,312	$ 29,247
Gross realized gains	1,741	2,502	3,140	2,502	—
Gross realized losses	4,180	12,300	53,649	12,300	—

Gains and losses are determined using specific identfication 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 $28.1 million and $51.1 million at September 30, 2023 and December 31, 2022, 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 $38.9 million and $44.8 million at September 30, 2023 and December 31, 2022, respectively.

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

	YTD		
	Successor	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30,	Period from January 1, 2022 through May 24, 2022
Bonds available-for-sale: change in unrealized losses	$ (51,642)	$ (969,318)	$ (997,300)
Short-term change in unrealized gains (losses)	33,883	(391)	—
Adjustments for			
Deferred policy acquisition costs	—	—	199,027
Participating policyholders' interest	7,373	16,240	13,478
Deferred federal income tax benefit	2,179	203,283	164,085
Change in net unrealized losses on debt securities, net of tax	**$ (8,207)**	**$ (750,186)**	**$ (620,710)**

Note 4 – Investment in Securities – (Continued)

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

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Unrealized gains (losses) on equity securities	$ (12,374)	$ 194	$ 29,686	$ (11,344)	$ (7,288)
Net gains (losses) on equity securities sold	(329)	19	366	19	(5,794)
Net gains (losses) on equity securities	**$ (12,703)**	**$ 213**	**$ 30,052**	**$ (11,325)**	**$ (13,082)**

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):

	September 30, 2023								
	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	12	$ (1,374)	$ 29,949	15	$ (1,462)	$ 33,671	27	$ (2,836)	$ 63,620
U.S. states and political subdivisions	340	(21,122)	408,420	196	(28,902)	317,498	536	(50,024)	725,918
Foreign governments	—	—	—	1	(653)	8,728	1	(653)	8,728
Corporate debt securities	969	(302,758)	3,638,207	951	(608,442)	6,085,659	1,920	(911,200)	9,723,866
Collateralized debt securities	42	(26,448)	805,663	48	(18,809)	349,666	90	(45,257)	1,155,329
Residential mortgage-backed securities	1	(406)	42,025	13	(5,021)	76,270	14	(5,427)	118,295
Total	**1,364**	**$ (352,108)**	**$4,924,264**	**1,224**	**$ (663,289)**	**$6,871,492**	**2,588**	**$(1,015,397)**	**$11,795,756**

	December 31, 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	18	$ (1,405)	$ 36,692	—	$ —	$ —	18	$ (1,405)	$ 36,692
U.S. states and political subdivisions	580	(24,706)	833,315	—	—	—	580	(24,706)	833,315
Foreign governments	1	(298)	9,005	—	—	—	1	(298)	9,005
Corporate debt securities	1,212	(830,095)	9,951,734	—	—	—	1,212	(830,095)	9,951,734
Collateralized debt securities	71	(55,261)	776,938	—	—	—	71	(55,261)	776,938
Residential mortgage-backed securities	46	(5,741)	93,008	—	—	—	46	(5,741)	93,008
Total	**1,928**	**$ (917,506)**	**$11,700,692**	**—**	**$ —**	**$ —**	**1,928**	**$ (917,506)**	**$11,700,692**

Note 4 – Investment in Securities – (Continued)

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.

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

	September 30, 2023			December 31, 2022		
Energy and utilities	$	13,828	1.7 %	$	30,722	7.2 %
Finance		795,586	95.9		374,688	87.4
Other		19,799	2.4		22,959	5.4
Total	**$**	**829,213**	**100 %**	**$**	**428,369**	**100 %**

Allowance for Credit Losses

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, 2023.

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 January 1, 2023	**$ (742)**	**$ (23,049)**	**$ (4,574)**	**$ (331)**	**$ (28,696)**
Increase in allowance related to purchases	—	(16)	—	—	(16)
Reduction in allowance related to dispositions	—	996	—	—	996
Allowance on securities that had an allowance recorded in a previous period	530	11,219	355	213	12,317
Allowance on securities where credit losses were not previously recorded	(2)	(660)	(5,498)	—	(6,160)
Balance at March 31, 2023	**$ (214)**	**$ (11,510)**	**$ (9,717)**	**$ (118)**	**$ (21,559)**
Increase in allowance related to purchases	$ —	$ (1,710)	$ (315)	$ —	$ (2,025)
Reduction in allowance related to dispositions	9	1,165	14	—	1,188
Allowance on securities that had an allowance recorded in a previous period	27	5,573	2,367	(61)	7,906
Allowance on securities where credit losses were not previously recorded	(1)	(15,744)	(1,701)	(295)	(17,741)
Balance at June 30, 2023	**$ (179)**	**$ (22,226)**	**$ (9,352)**	**$ (474)**	**$ (32,231)**
Increase in allowance related to purchases	$ (20)	$ (1,240)	$ (472)	$ (1)	$ (1,733)
Reduction in allowance related to dispositions	21	1,855	456	1	2,333
Allowance on securities that had an allowance recorded in a previous period	18	16,154	4,253	(66)	20,359
Allowance on securities where credit losses were not previously recorded	(42)	(5,134)	(10)	(8)	(5,194)
Balance at September 30, 2023	**$ (202)**	**$ (10,591)**	**$ (5,125)**	**$ (548)**	**$ (16,466)**

Successor	U.S. State and Political Subdivisions	Corporate Debt Securities	Collateralized Debt Securities	Residential Mortgage Backed Securities	Total
Balance at May 25, 2022	**$ (137)**	**$ (28,244)**	**$ (4,131)**	**$ (310)**	**$ (32,822)**
Reduction in allowance related to disposition	114	28,244	4,131	296	32,785
Allowance on securities that had an allowance recorded in a previous period	23	—	—	14	37
Balance at June 30, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Increase in allowance related to purchases	$ —	$ (524)	$ (364)	$ (13)	$ (901)
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)**

Note 4 – Investment in Securities – (Continued)

Predecessor		U.S. State and Political Subdivisions		Corporate Debt Securities		Collateralized Debt Securities		Residential Mortgage Backed Securities		Total
Balance at January 1, 2022	**$**	**(14)**	**$**	**(7,141)**	**$**	**(2,887)**	**$**	**(268)**	**$**	**(10,310)**
Increase in allowance related to purchases		—		(10,286)		(59)		—		(10,345)
Reduction in allowance related to dispositions		—		180		—		—		180
Allowance on securities that had an allowance recorded in a previous period		—		949		(1,384)		(16)		(451)
Allowance on securities where credit losses were not previously recorded		(32)		(7,443)		(19)		—		(7,494)
Balance at March 31, 2022	**$**	**(46)**	**$**	**(23,741)**	**$**	**(4,349)**	**$**	**(284)**	**$**	**(28,420)**
Reduction in allowance related to disposition	$	—	$	279	$	—	$	—	$	279
Allowance on securities that had an allowance recorded in a previous period		(67)		3,780		250		(26)		3,937
Allowance on securities where credit losses were not previously recorded		(24)		(8,562)		(32)		—		(8,618)
Balance at May 24, 2022	**$**	**(137)**	**$**	**(28,244)**	**$**	**(4,131)**	**$**	**(310)**	**$**	**(32,822)**

Credit Quality Indicators

The Company monitors the credit quality of bonds available-for-sale 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 available-for-sale 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.

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):

	September 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 840,218	14.8 %	$ 898,915	16.2 %
East South Central	46,539	0.8	65,548	1.2
Mountain	1,401,974	24.8	1,360,837	24.5
Pacific	918,450	16.2	924,187	16.7
South Atlantic	999,265	17.7	967,353	17.4
West South Central	1,118,154	19.8	1,068,239	19.3
Other	336,516	5.9	261,096	4.7
Total	**$ 5,661,116**	**100.0 %**	**$ 5,546,175**	**100.0 %**

As of September 30, 2023 and December 31, 2022, loans in foreclosure and loans foreclosed are as follows (in thousands, except number of loans):

	September 30, 2023		December 31, 2022	
Foreclosure and foreclosed	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
In foreclosure	1	$ 24,941	1	$ 27,001
Filed for bankruptcy	—	—	—	—
Total in foreclosure	**1**	**$ 24,941**	**1**	**$ 27,001**
Foreclosed	**2**	**$ 54,488**	**—**	**$ —**

Note 5 – Mortgage Loans – (Continued)

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

September 30, 2023	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 983,562	$ 983,562	17.3 %
Hotel	31,915	—	—	31,915	986,805	1,018,720	17.9
Industrial	—	—	—	—	1,081,943	1,081,943	19.0
Office	—	14,570	39,878	54,448	859,098	913,546	16.0
Parking	—	—	—	—	415,179	415,179	7.3
Retail	—	—	24,962	24,962	789,913	814,875	14.3
Storage	—	—	—	—	118,683	118,683	2.1
Other	—	—	—	—	345,891	345,891	6.1
Total	**$ 31,915**	**$ 14,570**	**$ 64,840**	**$ 111,325**	**$ 5,581,074**	**$ 5,692,399**	**100.0 %**
Allowance for credit losses						(31,283)	
Total, net of allowance						**$ 5,661,116**	

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 805,690	$ 805,690	14.4 %
Hotel	—	—	—	—	1,009,560	1,009,560	18.1
Industrial	—	—	—	—	1,043,305	1,043,305	18.7
Office	—	—	27,001	27,001	1,104,981	1,131,982	20.3
Parking	—	—	—	—	419,878	419,878	7.5
Retail	—	—	—	—	842,483	842,483	15.1
Storage	—	—	—	—	118,875	118,875	2.1
Other	—	—	—	—	212,668	212,668	3.8
Total	**$ —**	**$ —**	**$ 27,001**	**$ 27,001**	**$ 5,557,440**	**$ 5,584,441**	**100.0 %**
Allowance for credit losses						(38,266)	
Total, net of allowance						**$ 5,546,175**	

Modifications to Borrowers Experiencing Financial Difficulty

The Company may modify the terms of a loan when the borrower is experiencing financial difficulties, as a means to optimize recovery of amounts due on the loan. Modifications may involve temporary relief, such as payment forbearance for a short period of time (where interest continues to accrue) or may involve more substantive changes to a loan. Changes to the terms of a loan, pursuant to a modification agreement, are factored into the analysis of the loan's expected credit losses, under the allowance model applicable to the loan.

For commercial mortgage loans, modifications for borrowers experiencing financial difficulty are tailored for individual loans and may include interest rate relief, maturity extensions or, less frequently, principal forgiveness. For residential mortgage loans, the most common modifications for borrowers experiencing financial difficulty, aside from insignificant delays in payment, typically involve interest rate relief, deferral of missed payments to the end of the loan term, or maturity extensions.

For the nine months ended September 30, 2023, the Company granted additional extensions on eleven previously restructured loans totaling $170.3 million in amortized cost. The loan term modifications ranged from three months to 24 months and represented approximately 2.9% of the portfolio segment.

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 PGAAP guidance. The provision of $35.0 million is the net amount of recovery and adjustment for the second 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 January 1, 2023	$ (38,266)
Charge offs	(15,051)
Provision	4,379
Balance at March 31, 2023	**$ (48,938)**
Charge offs	—
Provision	6,766
Balance at June 30, 2023	**$ (42,172)**
Charge offs	—
Provision	10,889
Balance at September 30, 2023	**$ (31,283)**

Successor	**Commercial Mortgage Loans**
Balance at May 25, 2022	**$ —**
Provision	(34,972)
Balance at June 30, 2022	**$ (34,972)**
Provision	(1,149)
Balance at September 30, 2022	**$ (36,121)**

Predecessor	**Commercial Mortgage Loans**
Balance at January 1, 2022	$ (97,079)
Provision	4,255
Balance at March 31, 2022	**$ (92,824)**
Provision	—
Balance at May 24, 2022	**$ (92,824)**

The decrease in allowance from prior year is largely driven by lower rates on improving hotel properties returning to pre-pandemic service levels.

Note 5 – Mortgage Loans – (Continued)

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

	September 30, 2023		December 31, 2022	
	Asset Balance	Allowance	Asset Balance	Allowance
Apartment	$ 983,562	$ (2,913)	$ 805,690	$ (1,111)
Hotel	1,018,720	(2,273)	1,009,560	(5,400)
Industrial	1,081,943	(1,100)	1,043,305	(4,118)
Office	913,546	(12,163)	1,131,982	(17,420)
Parking	415,179	(1,044)	419,878	(5,566)
Retail	814,875	(4,163)	842,483	(3,740)
Storage	118,683	(258)	118,875	(469)
Other	345,891	(7,369)	212,668	(442)
Total	**$ 5,692,399**	**$ (31,283)**	**$ 5,584,441**	**$ (38,266)**

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						
	2023	2022	2021	2020	2019	Prior	Total
Apartment	$ 2,050	$ 404,218	$ 253,170	$ 83,684	$ 139,808	$ 100,632	$ 983,562
Hotel	118,306	220,280	32,077	38,986	129,354	479,717	1,018,720
Industrial	—	313,069	179,398	215,923	129,296	244,257	1,081,943
Office	7,147	89,772	5,593	24,003	46,016	741,015	913,546
Parking	—	54,702	28,875	26,854	12,756	291,992	415,179
Retail	—	233,046	117,337	64,637	34,606	365,249	814,875
Storage	—	8,155	20,344	36,181	38,109	15,894	118,683
Other	59,324	142,289	44,646	—	28,302	71,330	345,891
Total	**$ 186,827**	**$ 1,465,531**	**$ 681,440**	**$ 490,268**	**$ 558,247**	**$ 2,310,086**	**$ 5,692,399**
Allowance for credit losses							(31,283)
Total, net of allowance							**$ 5,661,116**

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

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, 2023, we have included a $1.9 million liability in other liabilities on the condensed consolidated statements of financial position based on unfunded loan commitments of $518 million.

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):

	September 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Hotel	$ 81,330	2.9 %	$ 77,458	7.5 %
Industrial	157,348	5.5	167,522	16.2
Land	48,819	1.7	48,199	4.7
Office	412,680	14.5	243,431	23.5
Retail	212,027	7.5	211,923	20.5
Apartments	320,208	11.3	253,678	24.5
Other	1,603,995	56.6	33,508	3.1
Total	**$ 2,836,407**	**100.0 %**	**$ 1,035,719**	**100.0 %**

	September 30, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 105,754	8.8 %	$ 97,938	9.5 %
East South Central	22,010	1.8	27,650	2.7
Mountain	233,081	19.7	239,672	23.1
Pacific	172,717	14.6	160,289	15.5
South Atlantic	197,017	15.9	88,280	8.5
West South Central	430,553	36.9	371,049	35.8
Other	1,675,275	2.3	50,841	4.9
Total	**$ 2,836,407**	**100.0 %**	**$ 1,035,719**	**100.0 %**

As of September 30, 2023, no real estate investments met the criteria as held-for-sale.

Consolidated VIEs

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 2023 or 2022.

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

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

	September 30, 2023	December 31, 2022
Fixed maturity securities, bonds available-for-sale, at estimated fair value	$ 378,080	$ 282,535
Mortgage loans on real estate, net of allowance for credit losses	26,929	—
Real estate and real estate partnerships, net of accumulated depreciation	278,822	123,630
Equity securities, at fair value	2,110,998	44,858
Investment funds	1,269,987	799,886
Short-term investments	4,101	500
Total investments	**4,068,917**	**1,251,409**
Cash and cash equivalents	124,258	12,953
Premiums due and other receivables	1,715	2,221
Other assets	33,489	74,393
Total assets of consolidated VIEs	**$ 4,228,379**	**$ 1,340,976**
Notes payable	170,155	150,913
Other liabilities	52,651	1,141,026
Total liabilities of consolidated VIEs	**$ 222,806**	**$ 1,291,939**

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 $3.0 million and $10.5 million at September 30, 2023 and December 31, 2022, respectively.

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

Interest rate	Maturity	September 30, 2023	December 31, 2022
LIBOR or Equivalent	2023	$ —	$ 10,702
4.18% fixed	2024	60,947	61,905
1M TermSOFR + applicable margin	2025	6,182	—
3.25%	2026	8,896	6,420
7.25%	2026	10,561	—
1M SOFR + 2.5%, Rate Floor 3.5%	2029	78,790	71,886
Total notes payable of ANTAC consolidated VIEs		**165,376**	**150,913**
Other notes payable		4,779	—
Total notes payable of consolidated VIEs		**$ 170,155**	**$ 150,913**

Unconsolidated VIEs

	September 30, 2023		December 31, 2022	
	Carrying Amount	**Maximum Exposure to Loss**	**Carrying Amount**	**Maximum Exposure to Loss**
Real estate and real estate partnerships	$ 315,395	$ 315,395	$ 316,692	$ 316,692
Mortgage loans on real estate	646,368	646,368	601,198	601,198
Accrued investment income	2,157	2,157	1,863	1,863

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 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 $2.2 billion and $1.7 billion at September 30, 2023 and December 31, 2022, respectively.

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):

Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Financial Position	September 30, 2023 Number of Instruments	September 30, 2023 Notional Amounts	September 30, 2023 Estimated Fair Value	December 31, 2022 Number of Instruments	December 31, 2022 Notional Amounts	December 31, 2022 Estimated Fair Value
Equity-indexed options	Other invested assets	628	$ 3,960,800	$ 175,675	531	$ 3,772,900	$ 121,150
Equity-indexed embedded derivative	Policyholders' account balances	139,081	3,789,300	825,516	134,505	3,658,231	725,546

Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Operations	Gains (Losses) Recognized in Income on Derivatives — QTD — Successor — Three months ended September 30, 2023	QTD — Successor — Three months ended September 30, 2022	YTD — Successor — Nine months ended September 30, 2023	YTD — Successor — Period from May 25, 2022 through September 30, 2022	YTD — Predecessor — Period from January 1, 2022 through May 24, 2022
Equity-indexed options	Net investment income	$ (31,706)	$ (25,370)	$ 39,712	$ (45,461)	$ (127,587)
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	(22,662)	67,154	(94,144)	91,235	96,815

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):

		September 30, 2023						
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-	$ 11,177	$ 10,850	$ —	$ 10,850	$ 10,848	$ 2	$ 329
Barclays	Baa2/BBB	36,855	27,205	10,000	37,205	36,667	538	—
Credit Suisse	Baa1/BBB	13,915	14,540	—	14,540	13,915	625	—
ING	Baa1/A-	9,324	9,540	—	9,540	9,324	216	—
JP Morgan Chase	A1/A-	4,143	4,265	—	4,265	4,143	122	—
Morgan Stanley	A1/A-	26,565	24,220	5,700	29,920	26,565	3,355	—
NATIXIS*	A1/A	3,290	3,420	—	3,420	3,290	130	—
Truist	A3/A-	47,116	43,401	5,000	48,401	47,116	1,285	—
Wells Fargo	A1/BBB+	23,290	27,770	—	27,770	23,290	4,480	—
Total		**$ 175,675**	**$ 165,211**	**$ 20,700**	**$ 185,911**	**$ 175,158**	**$ 10,753**	**$ 329**

		December 31, 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-	$ 4,821	$ 5,050	$ —	$ 5,050	$ 4,821	$ 229	$ —
Barclays	Baa2/BBB	26,615	16,902	10,000	26,902	26,615	287	—
Credit Suisse	Baa1/BBB+	6,124	5,280	—	5,280	5,280	—	844
ING	Baa1/A-	8,559	8,650	—	8,650	8,559	91	—
Morgan Stanley	A1/BBB+	23,420	17,386	5,700	23,086	23,086	—	334
NATIXIS*	A1/A	18,841	19,130	—	19,130	18,841	289	—
Truist	A3/A-	22,172	17,540	5,000	22,540	22,172	368	—
Wells Fargo	A1/BBB+	10,599	10,610	—	10,610	10,468	142	131
Total		**$ 121,151**	**$ 100,548**	**$ 20,700**	**$ 121,248**	**$ 119,842**	**$ 1,406**	**$ 1,309**

* *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):

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Bonds	$ 173,026	$ 147,836	496,943	$ 204,862	$ 223,195
Short-term investments	45,794	19,524	137,994	25,111	3,870
Equity securities	4,458	310	4,349	734	629
Mortgage loans	79,558	74,744	222,005	99,142	123,278
Real estate and real estate partnerships	3,013	25,010	23,289	47,406	111,344
Investment funds	52,915	9,861	102,836	17,071	34,431
Equity-indexed options	(31,706)	(25,370)	39,712	(45,461)	(127,587)
Other invested assets	11,940	10,267	34,989	14,328	15,648
Total	**$ 338,998**	**$ 262,182**	**1,062,117**	**$ 363,193**	**$ 384,808**

Net investment income from equity method investments, comprised of real estate partnerships and investment funds was $50.3 million and $39.7 million for the three months ended September 30, 2023 and 2022, respectively. Net investment income from equity method investments, comprised of real estate partnerships and investment funds, was $120.7 million and $169.6 million for the nine months ended September 30, 2023 and 2022, respectively.

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

	QTD		YTD		
	Successor	Successor	Successor	Successor	Predecessor
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Bonds	$ (2,974)	$ (10,194)	$ (51,000)	$ (10,668)	$ 10,339
Mortgage loans	(8,787)	—	(14,838)	—	—
Real estate	(2,915)	6,440	1,311	7,418	10,461
Other invested assets	(1)	150	(183)	150	273
Total	**$ (14,677)**	**$ (3,604)**	**$ (64,710)**	**$ (3,100)**	**$ 21,073**

Note 9 – Fair Value of Financial Instruments

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

	September 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity, bonds available-for-sale	$ 12,352,608	$ 12,352,608	$ 13,512,819	$ 13,512,819
Equity securities	829,213	829,213	428,369	428,369
Equity-indexed options, included in other invested assets	175,675	175,675	121,150	121,150
Mortgage loans on real estate, net of allowance	5,661,116	5,328,156	5,546,175	5,306,834
Policy loans	383,077	383,077	374,481	374,481
Short-term investments	3,501,024	3,501,024	1,836,678	1,836,678
Separate account assets ($1,157,995 and $1,012,449 included in fair value hierarchy)	1,090,390	1,090,390	1,045,217	1,045,217
Separately managed accounts, included in other invested assets	121,707	121,707	127,291	127,291
Total financial assets	**$ 24,114,810**	**$ 23,781,850**	**$ 25,254,370**	**$ 25,015,029**
Financial liabilities				
Investment contracts	$ 14,074,384	$ 14,074,384	$ 9,780,174	$ 9,780,174
Embedded derivative liability for equity-indexed contracts	825,516	825,516	725,546	725,546
Notes payable	170,155	170,155	150,913	150,913
Separate account liabilities ($1,157,995 and $1,012,449 included in fair value hierarchy)	1,090,390	1,090,390	1,045,217	1,045,217
Total financial liabilities	**$ 16,160,445**	**$ 16,160,444**	**$ 11,701,850**	**$ 11,701,850**

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.

The balances and changes in separate account assets and liabilities for the nine months ended September 30, 2023 were as follows (in thousands):

	September 30, 2023			
	Variable Life	Variable Annuities	Pension	Total
Balance, beginning of year	**$ 230,148**	**$ 349,820**	**$ 465,249**	**$ 1,045,217**
Premiums and deposits	8,447	48,422	1,260	58,129
Policy charges	(7,140)	(3,184)	(99)	(10,423)
Surrenders and withdrawals	(12,977)	(64,773)	(233)	(77,983)
Benefit payments	—	—	(17,663)	(17,663)
Investment performance	24,251	25,738	48,815	98,804
Net transfers from (to) general account	(2,017)	(3,674)	—	(5,691)
Balance, end of period	**$ 240,712**	**$ 352,349**	**$ 497,329**	**$ 1,090,390**
Cash Surrender Value	$ 240,712	$ 352,813	$ —	$ 593,525

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, 2023 and December 31, 2022, the one year implied volatility used to estimate embedded derivative value was 18.3% and 23.4%, respectively.

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

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		Unobservable Input	Range	
	September 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Security type					
Embedded derivative					
Indexed Annuities	$ 792.3	$ 713.5	Lapse Rate	1-50%	1-50%
			Mortality Multiplier	100%	100%
			Equity Volatility	10-64%	16-66%
Indexed Life	$ 33.2	$ 12.1	Equity Volatility	14-62%	16-66%

Quantitative Disclosures

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

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at September 30, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 64,244	$ 64,244	$ —	$ —
U.S. states and political subdivisions	725,526	—	725,526	—
Foreign governments	8,728	—	8,728	—
Corporate debt securities	9,843,651	—	8,128,171	1,715,480
Residential mortgage-backed securities	118,294	—	118,294	—
Collateralized debt securities	1,592,165	—	1,574,802	17,363
Total bonds available-for-sale	**12,352,608**	**64,244**	**10,555,521**	**1,732,843**
Equity securities				
Common stock	727,208	124,107	—	603,101
Preferred stock	95,941	21,487	—	74,454
Private equity and other	6,064	—	—	6,064
Total equity securities	**829,213**	**145,594**	**—**	**683,619**
Options	175,675	—	—	175,675
Short-term investments	3,501,024	2,218,475	—	1,282,549
Separate account assets	1,057,995	327,850	730,145	—
Separately managed accounts	121,707	—	—	121,707
Total financial assets	**$ 18,038,222**	**$ 2,756,163**	**$ 11,285,666**	**$ 3,996,393**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 825,516	$ —	$ —	$ 825,516
Market risk benefits	61,804	—	—	61,804
Separate account liabilities	1,057,995	327,850	730,145	—
Total financial liabilities	**$ 1,945,315**	**$ 327,850**	**$ 730,145**	**$ 887,320**

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

	Assets and Liabilities Carried at Fair Value by Hierarchy Level at December 31, 2022			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Fixed maturity, bonds available-for-sale				
U.S. treasury and government	$ 40,009	$ 40,009	$ —	$ —
U.S. states and political subdivisions	854,861	—	854,861	—
Foreign governments	9,004	—	9,004	—
Corporate debt securities	11,257,630	—	10,525,008	732,622
Residential mortgage-backed securities	126,748	—	126,748	—
Collateralized debt securities	1,224,567	—	362,381	862,186
Total bonds available-for-sale	**13,512,819**	**40,009**	**11,878,002**	**1,594,808**
Equity securities				
Common stock	371,836	203,034	—	168,802
Preferred stock	56,533	21,917	—	34,616
Total equity securities	**428,369**	**224,951**	**—**	**203,418**
Options	121,150	—	—	121,150
Short-term investments	1,836,678	595,098	—	1,241,580
Separate account assets	1,012,499	313,752	698,747	—
Separately managed accounts	127,291	—	—	127,291
Total financial assets	**$ 17,038,806**	**$ 1,173,810**	**$ 12,576,749**	**$ 3,288,247**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 725,546	$ —	$ —	$ 725,546
Separate account liabilities	1,012,499	313,752	698,747	—
Total financial liabilities	**$ 1,738,045**	**$ 313,752**	**$ 698,747**	**$ 725,546**

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

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			
	Three months ended September 30, 2023			
	Assets			Liability
Successor	Investment Securities	Equity-Indexed Options	Separately Managed Accounts	Embedded Derivative
Beginning Balance	**$ 4,493,000**	**$ 215,446**	**$ 127,291**	**$ 808,598**
Net loss for derivatives and bonds included in net investment income	—	(31,706)	—	—
Net change included in interest credited	—	—	—	22,662
Net fair value change included in other comprehensive income	(381,467)	—	(358)	—
Purchases, sales and settlements or maturities				
Purchases	642,162	37,831	11,030	—
Sales	(1,042,052)	—	(16,256)	—
Settlements or maturities	(12,632)	(45,896)	—	—
Premiums less benefits	—	—	—	(5,744)
Ending balance at September 30, 2023	**$ 3,699,011**	**$ 175,675**	**$ 121,707**	**$ 825,516**

	Level 3			
	Nine months ended September 30, 2023			
	Assets			Liability
Successor	Investment Securities	Equity-Indexed Options	Separately Managed Accounts	Embedded Derivative
Beginning Balance	**$ 3,039,806**	**$ 121,150**	**$ 127,291**	**$ 725,546**
Net gain for derivatives and bonds included in net investment income	—	39,712	—	—
Net change included in interest credited	—	—	—	94,144
Net fair value change included in other comprehensive income	(286,273)	—	(1,358)	—
Purchases, sales and settlements or maturities				
Purchases	2,866,162	98,709	14,030	—
Sales	(1,908,052)	—	(18,256)	—
Settlements or maturities	(12,632)	(83,896)	—	—
Premiums less benefits	—	—	—	5,826
Ending balance at September 30, 2023	**$ 3,699,011**	**$ 175,675**	**$ 121,707**	**$ 825,516**

	Level 3			
	Three months ended September 30, 2022			
	Assets			Liability
Successor	Investment Securities	Equity-Indexed Options	Separately Managed Accounts	Embedded Derivative
Beginning balance	**$ 741,936**	**$ 101,254**	**$ 118,184**	**$ 724,239**
Net loss for derivatives included in net investment income	—	(25,286)	—	—
Net change included in interest credited	—	—	—	(67,154)
Net fair value change included in other comprehensive income	(487)	—	444	—
Purchases, sales and settlements or maturities				
Purchases	1,153,506	28,990	14,946	—
Sales	(2,706)	—	(7,936)	—
Settlements or maturities	—	(6,722)	—	—
Premiums less benefits	—	—	—	14,315
Ending balance at September 30, 2022	**$ 1,892,249**	**$ 98,236**	**$ 125,638**	**$ 671,400**

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

	Level 3			
	Period from May 25, 2022 through September 30, 2022			
	Assets			Liability
Successor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning balance	**$ 376,254**	**$ 114,883**	**$ 112,866**	**$ 745,075**
Net loss for derivatives included in net investment income	—	(45,377)	—	—
Net change included in interest credited	—	—	—	(91,235)
Net fair value change included in other comprehensive income	(471)	—	587	—
Purchases, sales and settlements or maturities				
Purchases	1,521,673	37,981	26,008	—
Sales	(5,207)	—	(13,823)	—
Settlements or maturities	—	(9,251)	—	—
Premiums less benefits	—	—	—	17,560
Ending balance at September 30, 2022	**$ 1,892,249**	**$ 98,236**	**$ 125,638**	**$ 671,400**

	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 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**

Within the net gain (loss) for derivatives included in net investment income were unrealized gains of $37.9 million and unrealized losses of $41.0 million, relating to assets still held at September 30, 2023 and 2022, 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. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions. Approximately $575 million of level 3 securities were priced by third party services in the successor periods presented.

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:

	Fair Value at September 30, 2023		Valuation Technique	Unobservable Input	Range/Weighted Average
Security type					
Investment securities					
Common stock	$	609,165	Guideline public company method [1]	Recurring Revenue Multiple	6.3x
				LTM EBITDA Multiple	0
			CVM		0
				LTM Revenue Multiple	2.1x
				NCY Revenue Multiple	0
				NCY Cash Flow Multiple	5.0x
				NCY EBITDA Multiple	0
Preferred stock		74,454	Guideline public company method	LTM Revenue Multiple [4]	4x
			CVM	Priced at cost, LTM EBITDA Multiple	0
				NCY Revenue Multiple	0
				LTM EBITDA Multiple	12.7x
				NCY CF Multiple	5x
				Term (Years)	1.1
				LTM EBITDA (est.) Multiple	7.5x
				NCY EBITDA Multiple	0
				NTM Adj. EBITDA Multiple	9x
				NCY Cash Flow Multiple	5x
				Option pricing method, Volatility	73.6x
				Market Transaction	0
Bonds		1,732,843	Priced at cost		
Separately managed accounts	$	121,707	Discounted cash flows (yield analysis)	Discount rate	8.80-18.50%
			CVM	NCY EBITDA	0x
			Market transaction		N/A

	Fair Value at December 31, 2022		Valuation Technique	Unobservable Input	Range/Weighted Average
Security type					
Investment securities					
Common stock	$	1,131	Guideline public company method [1]	LTM Revenue Multiple	3xx
			CVM	NCY Revenue Multiple [6]	0.6x
				NCY EBITDA Multiple	5.5x
				LQA Recurring Revenue Multiple [7]	7.25
Preferred stock	$	5,058	Guideline public company method	LTM Revenue Multiple [4]	5.4x
			CVM	NCY Revenue Multiple	6.82x
				LTM EBITDA Multiple	5.50x
				NCY EBITDA Multiple [8]	5.50x
Bonds	$	311,732	Priced at cost	Coupon rate	4.00-11.13%
Separately managed accounts	$	127,291	Discounted cash flows (yield analysis)	Discount rate	7.60-21.10%
			CVM	NCY EBITDA	0x
			Market transaction		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 ("EBITDA") 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:

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.

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.

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):

	September 30, 2023		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,661,116	$ 5,328,156
Policy loans	Level 3	383,077	383,077
Total financial assets		**$ 6,044,193**	**$ 5,711,233**
Financial liabilities			
Investment contracts	Level 3	$ 14,074,384	$ 14,074,384
Long-term debt	Level 3	1,498,386	1,451,780
Notes payable	Level 3	170,155	170,155
Total financial liabilities		**$ 15,742,925**	**$ 15,696,319**

	December 31, 2022		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,546,175	$ 5,306,834
Policy loans	Level 3	374,481	374,481
Total financial assets		**$ 5,920,656**	**$ 5,681,315**
Financial liabilities			
Investment contracts	Level 3	$ 9,780,174	$ 9,780,174
Long-term debt	Level 3	1,495,774	1,503,400
Notes payable	Level 3	150,913	150,913
Total financial liabilities		**$ 11,426,861**	**$ 11,434,487**

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

The changes in the asset for DAC and VOBA for the nine months ended September 30, 2023 were as follows (in thousands):

	Life	Annuity	Health	Property & Casualty	Total
Beginning balance at January 1, 2023	**$ 400,985**	**$ 72,469**	**$ 7,153**	**$ 184,871**	**$ 665,478**
Additions	145,947	143,312	7,703	346,906	643,868
Amortization	(31,008)	(11,621)	(5,322)	(350,206)	(398,157)
Net change	**114,939**	**131,691**	**2,381**	**(3,300)**	**245,711**
Ending balance at September 30, 2023	**$ 515,924**	**$ 204,160**	**$ 9,534**	**$ 181,571**	**$ 911,189**

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

The following table provides the projected VOBA amortization expenses for a five-year period and thereafter (in thousands):

Years	Asset
2023	$ 8,261
2024	30,734
2025	27,424
2026	24,750
2027	22,385
Thereafter	227,064
Total amortization expense	**$ 340,618**

The amortization of the VOBA asset is included in the change in deferred acquisition costs in the consolidated statement of operations.

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	Successor	Predecessor
	Nine months ended September 30, 2023	Period from May 25, 2022 through September 30, 2022	Period from January 1, 2022 through May 24, 2022
Unpaid claims balance, beginning	$ 1,554,761	$ 1,496,156	$ 1,455,080
Less: Reinsurance recoverables	305,334	281,156	288,358
Net beginning balance	1,249,427	1,215,000	1,166,722
Incurred related to			
Current	1,227,254	510,825	562,144
Prior years	(25,459)	(20,344)	(21,106)
Total incurred claims	1,201,795	490,481	541,038
Paid claims related to			
Current	655,327	324,608	225,241
Prior years	432,286	122,718	267,519
Total paid claims	1,087,613	447,326	492,760
Net balance	1,363,609	1,258,155	1,215,000
Plus: Reinsurance recoverables	316,709	315,632	281,156
Unpaid claims balance, ending	$ 1,680,318	$ 1,573,787	$ 1,496,156

Estimates for ultimate incurred claims attributable to insured events of prior years' decreased by approximately $25.4 million during the first nine months of 2023 and decreased by $20.3 million during the same period in 2022. The favorable development in 2023 during the "Successor" period was a reflection of lower-than-anticipated losses arising from commercial lines of business. The favorable development in 2022 during the "Predecessor" period was a reflection of lower-than-anticipated settlement of losses arising from Manager General Underwriting, credit health, worksite health, personal auto, commercial auto and agribusiness lines of business.

For short-duration health insurance claims, the total of IBNR plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses at September 30, 2023 and December 31, 2022 was $16.8 million and $16.0 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):

	QTD				YTD					
	Successor		Successor		Successor		Successor		Predecessor	
	Three months ended September 30, 2023		Three months ended September 30, 2022		Nine months ended September 30, 2023		Period from May 25, 2022 through June 30, 2022		Period from January 1, 2022 through May 24, 2022	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Total expected income tax expense at the statutory rate	$ 12,880	21.0 %	$ 40,827	21.0 %	$ 40,274	21.0 %	$ 35,476	21.0 %	$ 35,113	21.0 %
Tax-exempt investment income	(759)	(1.2)	(899)	(0.5)	(2,344)	(1.2)	(1,204)	(0.7)	(1,811)	(1.1)
Dividend exclusion	(25)	—	(126)	(0.1)	(188)	(0.1)	(246)	(0.1)	(224)	(0.1)
Tax credits, net	(4,861)	(7.9)	(1,313)	(0.7)	(14,563)	(7.6)	(1,754)	(1.0)	(2,213)	(1.3)
Low income housing tax credit expense	824	1.3	890	0.5	2,253	1.2	1,159	0.7	1,344	0.8
Merger transaction costs	—	—	(4)	—	—	—	830	0.5	2,621	1.6
Deferred tax adjustment	—	—	—	—	—	—	—	—	(2,148)	(1.3)
Other items, net	570	0.9	1,660	1.0	2,772	1.4	20	—	295	0.2
Total	**$ 8,629**	**14.1 %**	**$ 41,035**	**21.2 %**	**$ 28,204**	**14.7 %**	**$ 34,281**	**20.4 %**	**$ 32,977**	**19.8 %**

For the three months ended September 30, 2023, American National received no income tax refunds and made no income tax payments. For the nine months ended September 30, 2023 American National received income tax refunds of $15.9 million and made income tax payments of $22.6 million. As of September 30, 2023, American National had net operating loss carryforwards of $188 million and no material tax credit carryforwards. Net operating loss carryforwards, if not utilized, will expire in 2043.

American National is a party to a tax sharing agreement with its parent, BAMR US Holdings, LLC. In accordance with the agreement, if American National has taxable income, it pays its share of the consolidated federal income tax liability to its parent. However, if American National incurs a tax loss, the tax benefit is recovered by decreasing subsequent year's federal income tax payments to its parent.

American National's federal income tax returns for tax years 2020 to 2022 are subject to examination by the Internal Revenue Service. 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, 2023, 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, accumulated other comprehensive income (loss) ("AOCI"), was written off 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	Change in Discount Rate Used to Measure LFPB	Change in Fair Value of Market Risk Benefits	Accumulated Other Comprehensive Income (Loss)
Beginning balance at January 1, 2023	**$ (721,536)**	**$ 1,161**	**$ (1,237)**	**$ 253,126**	**$ 20,779**	**$ (447,707)**
Amounts reclassified from AOCI	30,000	4,341	—	—	—	34,341
Unrealized losses arising during the period	(38,207)	—	—	—	—	(38,207)
Change in discount rates	—	—	—	138,738	—	138,738
Change in fair value market risk benefits	—	—	—	—	(20,483)	(20,483)
Foreign currency adjustment	—	—	155	—	—	155
Ending balance at September 30, 2023	**$ (729,743)**	**$ 5,502**	**$ (1,082)**	**$ 391,864**	**$ 296**	**$ (333,163)**

	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 to from AOCI	2,109	(2,887)	—	(778)
Unrealized losses arising during the period	(767,588)	—	—	(767,588)
Unrealized losses on investments attributable to participating policyholders' interest	15,684	—	—	15,684
Change in discount rates	—	—	—	—
Change in fair value market risk benefits	—	—	—	—
Foreign currency adjustment	—	—	1,100	1,100
Ending balance at September 30, 2022	**$ (749,795)**	**$ (2,887)**	**$ 1,100**	**$ (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 January 1, 2022	**$ 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)**

Unrealized gains increased during the period ended September 30, 2023 compared to December 31, 2022, as a result of a decrease in the benchmark ten-year interest rates, which were 4.57% and 3.87%, respectively.

Note 14 – Equity and Noncontrolling Interests

Prior to the Merger, ANAT had one class of common stock with a par value of $0.01 per share, with 50,000,000 authorized shares and 26,887,200 outstanding shares (including 10,000 shares of restricted stock). On May 25, 2022, the effective date of the Merger, 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. Refer to Note 1, Nature of Operations, for more information. Subsequent to the closing of the merger, and effective September 30, 2022, ANAT converted from a corporation to a limited liability company. Following such conversion, there is one outstanding member unit, which is owned by BAMR US Holdings LLC ("BAMR US"), an indirect wholly owned subsidiary of Brookfield Reinsurance.

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.

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.

American National has been granted a permitted practice from the Texas Department of Insurance to recognize an admitted asset related to the notional value of coverage defined in an excess of loss reinsurance agreement. The permitted practice increases the statutory capital and surplus of American National by $563.6 million at September 30, 2023. The statutory capital and surplus of American National would have remained above authorized control level RBC had it not used the permitted practice.

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 American National Property And Casualty Company ("ANPAC") by $66.6 million and $79.3 million at September 30, 2023 and December 31, 2022, respectively. The statutory capital and surplus of both ANPAC 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, 2023	December 31, 2022
Statutory capital and surplus		
Life insurance entities	$ 1,857,074	$ 4,207,301
Property and casualty insurance entities	1,631,301	1,768,116

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Statutory net income (loss)				
Life insurance entities	$ (58,055)	$ 232,859	$ (165,745)	$ 323,101
Property and casualty insurance entities	(18,356)	2,317	(66,600)	(2,653)

Note 14 – Equity and Noncontrolling Interests - (Continued)

Dividends

We paid a quarterly dividend of $0.82 per share during the three months ended March 31, 2022, prior to the completion of the Merger 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.

On January 1, 2023, ANICO's wholly owned subsidiary ANH Investments, LLC (“ANH”) distributed the stock of its wholly owned subsidiary American National Insurance Holdings, Inc. (“ANIH”) to ANICO, and ANICO distributed such stock to ANAT. Such transactions were pursuant to approvals from the domiciliary state insurance regulators of ANICO and the subsidiary insurance companies owned by ANIH as of December 31, 2022. In addition, on January 1, 2023, ANICO distributed its entire interest in its wholly owned subsidiary, ANTAC, LLC to ANAT.

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 of $6.8 million at September 30, 2023 and $6.8 million at December 31, 2022.

ANAT 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 $95.9 million and $67.5 million at September 30, 2023 and December 31, 2022, respectively.

Note 15 – Debt

As a result of the Merger on May 25, 2022, the Company assumed the 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 Secured Overnight Financing Rate ("SOFR") and reset and paid quarterly. The all in rate at the end of the third quarter was 6.278%. On June 13, 2022, the Company repaid $500 million under the Term Loan Agreement and at September 30, 2023 had $1.0 billion principal amount outstanding. The outstanding debt balance was reduced by $2.8 million in unamortized issuance costs as of September 30, 2023. Year-to-date interest payments were $47.3 million and $18.5 million for nine months ended September 30, 2023 and seven months ended December 31, 2022.

In June 2022, the Company issued $500 million of 6.144% unsecured Senior Notes maturing June 13, 2032. Interest is payable in arrears in June and December of each year. 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 outstanding note balance was reduced by $4.2 million in unamortized issuance costs as of September 30, 2023. An interest payment of $15.4 million was made on June 12, 2023.

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, 2023 were approximately $11.9 million.

American National had aggregate commitments at September 30, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.7 billion, of which $700.5 million is expected to be funded in 2023. The remaining $1.0 billion will be funded in 2024 and beyond.

In addition, the Company had revolving commitments of $112.5 million expected to be funded during 2023 and 2024.

American National had outstanding letters of credit in the amount of $3.5 million of September 30, 2023 and December 31, 2022.

Federal Home Loan Bank ("FHLB") Agreements

The Company has access to the FHLB's financial services including advances that provide an attractive funding source for short-term borrowing and for access to other funding agreements. As of September 30, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $8.9 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of September 30, 2023, the collateral provided borrowing capacity of approximately $657.3 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.

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.

In 2023, the Company purchased related party investments totaling $3.0 billion, of which $1.9 billion were short term collateral loans, $0.7 billion in bonds and $0.4 billion in common stock and other various investment classes. In 2022, the Company purchased $0.8 billion in related party investments, composed of $0.7 billion in bonds, and $0.1 billion in residual equity. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

For the three and nine months ended September 2023 the Company paid investment management fees due to related party arrangements of $4.7 million and $13.9 million, respectively. For the three and nine months ended September, 2022 the Company paid investment management fees of $4.5 million.

On November 8, 2022 ANAT and BAMR US Holdings LLC entered into a deposit agreement. The balance at September 30, 2023 was $294.3 million. The deposit is considered a cash and cash equivalent in the Company's consolidated statements of financial position as of September 30, 2023.

On August 17, 2023 ANTAC, LLC (a subsidiary of ANAT) and BAMR US Holdings LLC entered into a deposit agreement. The balance at September 30, 2023 was $155.7 million. The deposit is considered a cash and cash equivalent in the Company's consolidated statements of financial position as of September 30, 2023.

Table of Contents

Note 18 – Liability for Future Policy Benefits

The balances and changes in the liability for future policy benefits for the nine months ended September 30, 2023 are as follows (in thousands):

	September 30, 2023				
	Term Life	**Whole Life**	**Annuity**	**Health**	**Pension Risk Transfer**
Present value of Expected Net Premiums:					
Balance, beginning of period	**$ 2,181,520**	**$ 1,338,304**	**$ —**	**$ 254,452**	**$ —**
Beginning balance at original discount rate	2,400,114	1,425,419	—	262,239	—
Effect of changes in cash flow assumptions	(2,775)	977	—	27,118	—
Effect of actual variances from expected experience	(56,053)	19,200	1,291	(634)	—
Adjusted beginning of period balance	**2,341,286**	**1,445,596**	**1,291**	**288,723**	**—**
Net issuances (lapses)	35,947	39,533	11,338	(25,934)	677,762
Interest accrual	55,641	32,575	94	7,176	5,106
Net premiums collected	(111,500)	(179,122)	(12,723)	(26,770)	(682,868)
Ending balance at original discount rate	**2,321,374**	**1,338,582**	**—**	**243,195**	**—**
Effect of changes in discount rate assumptions	(324,182)	(119,614)	—	(8,098)	—
Balance, end of period	**$ 1,997,192**	**$ 1,218,968**	**$ —**	**$ 235,097**	**$ —**
Present value of Expected Future Policy Benefits:					
Balance, beginning of year	**$ 2,694,329**	**$ 2,635,785**	**$ 1,285,771**	**$ 292,528**	**$ 2,263**
Beginning balance at original discount rate	2,960,617	2,914,365	1,365,795	303,469	2,346
Effect of changes in cash flow assumptions	(2,983)	1,396	—	27,618	(1,071)
Effect of actual variances from expected experience	(56,472)	19,171	1,434	2,069	—
Adjusted beginning of period balance	**2,901,162**	**2,934,932**	**1,367,229**	**333,156**	**1,275**
Net issuances (lapses)	35,874	39,518	11,384	(26,153)	682,447
Interest accrual	69,136	66,213	30,653	8,518	17,718
Benefit payments	(83,363)	(301,608)	(118,800)	(29,931)	(15,369)
Ending balance at original discount rate	**2,922,809**	**2,739,055**	**1,290,466**	**285,590**	**686,071**
Effect of changes in discount rate assumptions	(401,508)	(387,747)	(110,713)	(11,726)	(38,277)
Balance, end of period	**2,521,301**	**2,351,308**	**1,179,753**	**273,864**	**647,794**
Gross liability for future policy benefits	**524,109**	**1,132,340**	**1,179,753**	**38,767**	**647,794**
Impact of flooring	—	—	—	—	—
Net liability for future policy benefits	**524,109**	**1,132,340**	**1,179,753**	**38,767**	**647,794**
Less: Reinsurance recoverable	(46,806)	—	—	(14,839)	—
Net liability for future policy benefits, after reinsurance recoverable	**$ 477,303**	**$ 1,132,340**	**$ 1,179,753**	**$ 23,928**	**$ 647,794**
Weighted-average liability duration of the liability	12.0	17.9	7.7	5.9	8.5
Undiscounted expected future benefit payments	$ 5,815,485	$ 6,237,204	$ 1,929,853	$ 459,069	$ 1,134,457
Undiscounted expected gross premiums	6,126,052	2,737,506	—	536,472	—
Gross premiums recognized in statement of operations	46,161	65,122	5,764	42,729	148,044
Interest expense recognized in statement of operations	8,570	22,165	19,819	1,337	7,940
Interest accretion rate	4.8%	4.5%	4.5%	4.0%	5.2%
Current discount rate	6.0	5.9	5.8	4.6	5.9

Note 18 – Liability for Future Policy Benefits – (Continued)

The reconciliation of liability for future policy benefits in the consolidated statement of financial position are as follows (in thousands):

	September 30, 2023
Term life	$ 524,110
Whole life	1,132,341
Annuity	1,179,623
Health	38,248
Pension Risk Transfer	647,794
Deferred profit liability	84,891
VOBA	1,797,390
Total	**$ 5,404,397**

Note 19 – Policyholder Account Balances

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from 1.0% to 8.0% (some annuities have enhanced first year crediting rates ranging from 1.0%to7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances for the nine months ended September 30, 2023 were as follows (in thousands):

	September 30, 2023			
	Universal Life	Equity Indexed Universal Life	Fixed Deferred Annuity	Equity Indexed Annuity
Balance, beginning of period	**$ 1,356,087**	**$ 613,661**	**$ 7,295,531**	**$ 4,683,853**
Issuances	28,109	35,319	3,725,826	293,451
Premiums received	188,743	105,939	18,513	7,875
Policy charges	(206,614)	(70,225)	(3,273)	(8,456)
Surrenders and withdrawals	(121,085)	(16,641)	(1,215,832)	(425,151)
Interest credited	27,562	35,229	206,600	170,895
Balance, end of period	**$ 1,272,802**	**$ 703,282**	**$ 10,027,365**	**$ 4,722,467**
Weighted-average crediting rate	2.8 %	7.1 %	3.7 %	1.8 %
Net amount at risk	$ 21,426,982	$ 16,016,051	$ —	$ 374,467
Cash surrender value	$ 1,189,193	$ 550,285	$ 9,543,412	$ 4,114,397

Note 19 – Policyholder Account Balances - (Continued)

The reconciliation of policyholders' account balances to the policyholders' account balances' liability in the consolidated statement of financial position are shown below (in thousands):

	September 30, 2023
Universal life	$ 1,272,802
Equity indexed universal life	703,282
Fixed deferred annuity	10,027,365
Equity indexed annuity	4,722,467
Single premium immediate annuity	306,397
Variable universal life	21,820
Variable deferred annuity	11,860
Pension	4,492
Total	**$ 17,070,485**

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums are shown below (in thousands):

		September 30, 2023				
	Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 - 50 Basis Points Above**	**51 - 150 Basis Points Above**	**> 150 Basis Points Above**	**Total**
Universal Life	0.00%-1.00%	$ 19,539	$ —	$ —	$ —	$ 19,539
	1.00%-2.00%	18,967	2,083	10,599	—	31,649
	2.00%-3.00%	411,498	—	148,267	—	559,765
	Greater than 3.00%	661,849	—	—	—	661,849
	Total	**$ 1,111,853**	**$ 2,083**	**$ 158,866**	**$ —**	**$ 1,272,802**
Equity Indexed Universal Life	0.00%-1.00%	$ 21,178	$ —	$ —	$ —	$ 21,178
	1.00%-2.00%	286,513	—	126,331	200,653	613,497
	2.00%-3.00%	—	—	68,607	—	68,607
	Greater than 3.00%	—	—	—	—	—
	Total	**$ 307,691**	**$ —**	**$ 194,938**	**$ 200,653**	**$ 703,282**
Fixed Deferred Annuity	0.00%-1.00%	$ —	$ —	$ —	$ —	$ —
	1.00%-2.00%	320,224	421,381	1,880,611	2,080,971	4,703,187
	2.00%-3.00%	792,181	411,855	41,011	3,803,014	5,048,061
	Greater than 3.00%	268,426	6,248	609	834	276,117
	Total	**$ 1,380,831**	**$ 839,484**	**$ 1,922,231**	**$ 5,884,819**	**$ 10,027,365**
Equity Indexed Annuity	0.00%-1.00%	$ 2,741,493	$ 44,564	$ 442,005	$ 703,927	$ 3,931,989
	1.00%-2.00%	425,450	8,268	143,152	47,579	624,449
	2.00%-3.00%	85,947	11,498	9,857	58,727	166,029
	Greater than 3.00%	—	—	—	—	—
	Total	**$ 3,252,890**	**$ 64,330**	**$ 595,014**	**$ 810,233**	**$ 4,722,467**

Note 20 - Deferred Profit Liability

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

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

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

The balances and changes in the DPL for the nine months ended September 30, 2023 were as follows (in thousands):

	September 30, 2023			
	Whole Life	**Annuity**	**Health**	**Pension Risk Transfer**
Balance, beginning of period				
Balance, beginning of period, at locked-in discount rate	**$ 17,841**	**$ 6,056**	**$ —**	**$ —**
Effect of changes in cash flow assumptions	(177)	62	—	1,013
Effect of actual variances from expected experience	(340)	1,157	—	(646)
Adjusted beginning of period balance	**17,324**	**7,275**	**—**	**367**
Profits deferred	24,689	1,377	17,014	16,978
Interest accrual	740	181	—	227
Amortization	(14)	(599)	(393)	(202)
Balance, end of period, at locked-in discount rate	**$ 42,739**	**$ 8,234**	**$ 16,621**	**$ 17,370**

In May 2023, a subsidiary of the Company entered into a coinsurance agreement with an external reinsurer to cede 100% of its existing Medicare Supplement business.

Note 21 - Market Risk Benefits

American National classifies the Lifetime Income Rider ("LIR") as an MRB. The LIR is a rider offering guaranteed minimum withdrawal benefits available on certain fixed indexed annuity products.

The balances of and changes in guaranteed minimum withdrawal benefits associated with annuity contracts follow (in thousands).

	September 30, 2023
	Annuity
Balance, beginning of period	**$ 44,892**
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	**44,892**
Effect of changes in the beginning instrument-specific credit risk	26,303
Effect of model refinements	—
Effect of non-financial assumption update	(8,561)
Attributed fees collected	9,320
Interest accrual	2,455
Adjustment from deterministic to stochastic	14,873
Effect of experience variance	(9,777)
Effect of changes in financial assumptions	(30,144)
Issuance	303
Balance, end of period, before effect of changes in nonperformance risk	**49,664**
Effect of changes in the ending instrument-specific credit risk	(510)
Balance, end of period	**49,154**
Reinsurance recoverable, end of period	—
Balance, end of period, net of reinsurance	**$ 49,154**

	September 30, 2023
	Annuity
Weighted-average attained age of contract holders amounted	$ 65

The reconciliation of market risk benefits by amounts in an asset position and in a liability position to the market risk benefits amount in the consolidated statement of financial position follows (in thousands).

	September 30, 2023		
	Asset	Liability	Net
Annuity	$ 13,616	$ 61,804	$ 48,188

Note 22 - Subsequent Events

The Company evaluated all events and transactions through November 30, 2023, the date the accompanying consolidated financial statements were available to be issued.

Note 23 - Dispositions

Disposition of Standard Life and Accident Insurance Company

In June 2023, a subsidiary of ANAT finalized an agreement with Core Specialty Insurance Holdings, Inc. to sell its Managing General Underwriter ("MGU") stop-loss business. The business is being acquired for cash through the acquisition of 100% of the stock of Standard Life and Accident Insurance Company (“SLAICO”) and certain reinsurance transactions. The life, annuity and non-MGU stop-loss health business currently in SLAICO will be reinsured back to the Company at closing. The completion of the transaction will be conditional upon obtaining the required regulatory approvals and is expected to close in the fourth quarter of 2023.

The carrying amounts of the major classes of assets and liabilities classified as held for sale are shown below (in thousands):

	September 30, 2023	
Cash and cash equivalents	$	12,927
Accrued investment income		7,910
Reinsurance recoverables		185,735
Premiums due and other receivables		43,039
Other assets		11,793
Total assets	**$**	**261,404**
Policy and contract claims	$	189,445
Other liabilities		55,158
Total liabilities	**$**	**244,603**