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

Condensed Consolidated Financial Statements

March 31, 2023

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

TABLE OF CONTENTS

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

	March 31, 2023	December 31, 2022
ASSETS		
Fixed maturity securities, bonds available-for-sale, at estimated fair value (Allowance for credit losses of $21,559 in 2023 and $28,708 in 2022) (Amortized cost $14,264,968 in 2023 and $14,447,537 in 2022)	$ 13,748,211	$ 13,512,819
Equity securities, at estimated fair value	432,366	428,369
Mortgage loans on real estate, net of allowance for credit losses of $49,431 in 2023 and $38,266 in 2022	5,700,492	5,546,175
Policy loans	376,089	374,481
Real estate and real estate partnerships, net of accumulated depreciation of $308,096 in 2023 and $304,402 in 2022	1,063,888	1,035,719
Investment funds	1,292,013	1,226,471
Short-term investments	2,126,281	1,836,678
Other invested assets	213,343	198,079
Total investments	**24,952,683**	**24,158,791**
Cash and cash equivalents	1,703,041	1,388,943
Accrued investment income	297,470	288,841
Reinsurance recoverables	426,249	444,170
Prepaid reinsurance premiums	42,430	46,754
Premiums due and other receivables	476,264	436,264
Deferred policy acquisition costs	712,416	664,478
Property and equipment, net of accumulated depreciation of $319,350 in 2023 and $314,288 in 2022	189,740	186,008
Current tax receivable	16,668	22,326
Deferred tax asset	382,069	439,114
Other assets	379,478	302,204
Goodwill	121,097	121,097
Separate account assets	1,098,352	1,045,217
Total assets	**$ 30,797,957**	**$ 29,544,207**
LIABILITIES		
Future policy benefits		
Life	$ 3,465,415	$ 3,336,141
Annuity	1,630,012	1,466,192
Health	44,859	56,938
Policyholders’ account balances	14,546,290	14,309,971
Policy and contract claims	1,824,773	1,786,275
Market risk benefits, at estimated fair value	66,602	54,340
Unearned premium reserve	1,118,861	1,085,882
Other policyholder funds	323,064	322,067
Liability for retirement benefits	63,112	66,938
Long-term debt and accrued interest	1,500,000	1,500,000
Notes payable	184,175	150,913
Other liabilities	938,768	607,880
Separate account liabilities	1,098,352	1,045,217
Total liabilities	**26,804,283**	**25,788,754**
EQUITY		
Member's equity	4,137,785	4,128,892
Accumulated other comprehensive income (loss)	(218,960)	(447,707)
Total American National equity	**3,918,825**	**3,681,185**
Noncontrolling interest	74,849	74,268
Total equity	**3,993,674**	**3,755,453**
Total liabilities and equity	**$ 30,797,957**	**$ 29,544,207**

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
PREMIUMS AND OTHER REVENUE		
Premiums		
Life	$ 109,998	$ 106,216
Annuity	159,656	7,343
Health	29,019	32,465
Property and casualty	481,718	436,087
Other policy revenues	96,579	94,764
Net investment income	341,102	269,365
Net realized investment gains (losses)	(22,367)	10,277
Decrease in investment credit loss	(11,466)	(11,636)
Net losses on equity securities	(28,296)	(9,482)
Other income	11,127	10,735
Total premiums and other revenues	**1,167,070**	**946,134**
BENEFITS, LOSSES AND EXPENSES		
Policyholder benefits		
Life	121,020	164,276
Annuity	184,331	21,294
Claims incurred		
Accident and health	(2,561)	20,636
Property and casualty	348,646	270,605
Change in fair value of market risk benefit	14,318	—
Interest credited to policyholders' account balances	139,597	48,299
Future policy benefit remeasurement losses	39,212	—
Commissions for acquiring and servicing policies	179,809	157,343
Other operating expenses	177,641	138,962
Change in deferred policy acquisition costs	(47,938)	(14,116)
Total benefits, losses and expenses	**1,154,075**	**807,299**
Income before federal income tax and other items	**12,995**	**138,835**
Less: Provision (benefit) for federal income taxes		
Current	5,938	35,765
Deferred	(8,185)	(8,479)
Total provision (benefit) for federal income taxes	**(2,247)**	**27,286**
Income after federal income tax	**15,242**	**111,549**
Other components of net periodic pension costs, net of tax	(1,591)	(1,368)
Net income	**13,651**	**110,181**
Less: Net income attributable to noncontrolling interest, net of tax	4,758	1,412
Net income attributable to American National	**$ 8,893**	**$ 108,769**

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Net income	**$ 13,651**	**$ 110,181**
Other comprehensive income (loss), net of tax		
Change in net unrealized gains (losses) on securities	339,630	(375,020)
Change in discount rate for liability for future policyholder benefit	(105,675)	—
Change in instrument specific credit risk for market risk benefit	(6,790)	—
Foreign currency transaction and translation adjustments	136	312
Defined benefit pension plan adjustment	1,446	2,843
Total other comprehensive loss, net of tax	**228,747**	**(371,865)**
Total comprehensive income (loss)	**242,398**	**(261,684)**
Less: Comprehensive income attributable to noncontrolling interest	4,758	1,412
Total comprehensive income (loss) attributable to American National	**$ 237,640**	**$ (263,096)**

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 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	8,893	—	—	8,893
Contributions/(Distributions)	—	—	(4,177)	(4,177)
Net income attributable to noncontrolling interest	—	—	4,758	4,758
Balance at March 31, 2023	**$ 4,137,785**	**$ (218,960)**	**$ 74,849**	**$ 3,993,674**

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 $0.82)	—	—	—	(22,048)	—	(22,048)
Contributions/(Distributions)	—	—	—	—	214	214
Net income attributable to noncontrolling	—	—	—	—	1,412	1,412
Balance at March 31, 2022	**$ 269**	**$ 47,782**	**$ (224,811)**	**$ 6,886,004**	**$ 9,317**	**$ 6,718,561**

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
OPERATING ACTIVITIES		
Net income	$ 13,651	$ 110,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment gains	(491)	(10,386)
Realized investment losses	22,858	109
Unrealized gain (loss) on investments and derivatives	3,415	(64,072)
Realized (gain) loss on investments and derivatives	20,835	108,737
Income tax expense	5,938	—
Increase (decrease) in investment credit loss	11,466	11,636
Accretion of premiums, discounts and loan origination fees	(20,044)	5,093
Net capitalized interest on policy loans and mortgage loans	(18,259)	(8,072)
Depreciation	11,383	12,171
Interest credited to policyholders’ account balances	139,597	48,299
Charges to policyholders’ account balances	(96,579)	(94,764)
Deferred federal income tax expense (benefit)	(8,185)	(8,479)
Income from equity method investments	(28,296)	(67,096)
Distributions from unconsolidated affiliates	36,416	68,663
Changes in:		
Policyholder liabilities	177,212	14,777
Market risk benefit	4,959	—
Deferred policy acquisition costs	(47,938)	(14,116)
Reinsurance payables (recoverables)	20,875	2,321
Premiums due and other receivables	(40,000)	(16,388)
Prepaid reinsurance premiums	4,324	2,360
Accrued investment income	(8,629)	(18,719)
Current tax payable	—	34,653
Liability for retirement benefits	(5,988)	511
Other, net	(6,888)	(11,134)
Net cash provided by operating activities	**191,633**	**106,285**
INVESTING ACTIVITIES		
Proceeds from sale/maturity/prepayment of:		
Corporate bonds	1,229,363	382,375
Preferred shares	22,912	67,291
Commercial paper	—	8,247,529
Government bonds and treasuries	2,498,633	47,075
Real estate and real estate partnerships	—	8,275
Mortgages	96,682	314,111
Private equity and other	6,856	62,189
Distributions from equity method investments	18,823	58,926
Payment for the purchase/origination of:		
Corporate bonds	(1,091,604)	(1,956,451)
Preferred shares	(55,205)	(26,307)
Government bonds and treasuries	(2,433,739)	(8,652)
Real estate and real estate partnerships	(36,215)	(14,545)
Mortgages	(245,929)	(253,967)
Private equity and other	(8,542)	(44,886)
Commercial paper	—	(7,622,333)

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

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Additions to property and equipment	(540)	(10,533)
Contributions to real estate and real estate partnerships	(86,283)	—
Contributions to equity method investments	(25,728)	(77,190)
Change in short-term investments	13,878	
Change in collateral held for derivatives	35,755	(53,718)
Other, net	(3,395)	5,464
Net cash used in investing activities	**(64,278)**	**(875,347)**
FINANCING ACTIVITIES		
Policyholders’ account deposits	724,830	343,049
Policyholders’ account withdrawals	(542,971)	(295,520)
Change in notes payable	—	9,100
Dividends to stockholders	—	(22,048)
Payments to noncontrolling interest	4,884	(644)
Net cash provided by financing activities	**186,743**	**33,937**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**314,098**	**(735,125)**
Cash and cash equivalents at beginning of the period	1,388,943	1,930,882
Cash and cash equivalents at end of the period	**$ 1,703,041**	**$ 1,195,757**

See accompanying notes to the unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Operations

American National Group, LLC ("ANAT", or the "Company"), through its consolidated subsidiaries (collectively "American National") offers a broad portfolio of insurance products, including individual and group life insurance, annuities, 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 months ended March 31, 2023 and the predecessor period consists of the three months ended March 31, 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 affiliates, which include real estate partnerships and investment funds, are accounted for using the equity method of accounting. Certain amounts in prior years have been reclassified to conform to current year presentation.

The 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.

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

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

ASC 805, *Business Combinations* allows for a measurement period of up to 12 months from the business combination date. Accounting for the business combination is not finalized as of December 31, 2022, and is pending completion of purchase accounting. The financial statements at December 31, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation will occur before the end of the measurement period.

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:

American National Group Inc. 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	175,079
Deferred tax assets, net	374,185
Prepaid pension	149,094
Intangible asset - VOBA	316,644
Other assets	166,030
Goodwill	121,097
Separate account assets	1,123,432
Total assets	**28,947,610**
LIABILITIES	
Future policy benefits	
Life	3,069,201
Annuity	1,546,881
Health	46,352
Policyholders' account balances	13,880,194
Policy and contract claims	1,705,623
Unearned premium reserve	1,072,989
Other policyholder funds	323,567
Liability for retirement benefits	73,926
Intangible liability - VOBA (LAH)	440,907
Debt	1,494,629
Notes payable	158,492
Current tax payable	13,610
Other liabilities	375,143
Separate account liabilities	1,123,432
Total liabilities	**25,324,946**
EQUITY	
Additional paid-n capital	3,612,783
Total American National equity	**3,612,783**
Noncontrolling interest	9,881
Total equity	**3,622,664**
Total liabilities and equity	**$ 28,947,610**

*These amounts have not been adjusted for the adoption of ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI") (refer to transition date disclosure below)

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 OCI.

(2) Cash flow assumptions used to measure the liability for LFPBs 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 are 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	18
Market risk benefits	19

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

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.

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

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 third 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 (ie: through the claim paying period) and cannot exceed 100%. Change in the liability due to actual experience are 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.

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 costs, and expense assumptions. Any gross premiums received in excess of the net premium is the 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.

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

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 $9.0 million and $8.1 million at March 31, 2023 and 2022, respectively. Income of $19.0 million and $18.3 million was allocated to participating policyholders at March 31, 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.

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

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

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

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

Transition Date Impacts

Due to the acquisition of American National by Brookfield Reinsurance Partners on May 25, 2022 and the guidelines under ASC 805, Business Combinations, the inception date for all contracts issued before that date become 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 value of business acquired (VOBA) liability resulting in no impact to shareholders equity, as noted above.

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
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, included the cumulative effect of changes in nonperformance risk of the Company, was recorded as an adjustment to the opening balance of VOBA liability.

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

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 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
Other assets	291,875	10,330	302,205
Total assets	**$ 29,642,716**	**$ (98,508)**	**$ 29,544,208**
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**	**(431,481)**	**25,785,250**
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**	**$ (98,508)**	**$ 29,544,208**

Other Adopted Accounting Pronouncements

The Company adopted ASU (ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings 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.

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.

Note 4 – Investment in Securities

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

	March 31, 2023				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity securities, bonds available-for-sale					
U.S. treasury and government	$ 41,739	$ 79	$ (981)	$ —	$ 40,837
U.S. states and political subdivisions	854,075	965	(16,275)	(214)	838,551
Foreign governments	9,336	—	(339)	—	8,997
Corporate debt securities	11,828,200	8,367	(456,292)	(11,510)	11,368,765
Collateralized debt securities	1,401,711	12,796	(38,305)	(9,717)	1,366,485
Residential mortgage-backed securities	129,907	100	(5,313)	(118)	124,576
Total bonds available-for-sale	**14,264,968**	**22,307**	**(517,505)**	**(21,559)**	**13,748,211**
Total investments in fixed maturity securities	**$ 14,264,968**	**$ 22,307**	**$ (517,505)**	**$ (21,559)**	**$ 13,748,211**

	December 31, 2022				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity securities, 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 securities	**$ 14,447,537**	**$ 11,496**	**$ (917,506)**	**$ (28,708)**	**$ 13,512,819**

Note 4 – Investment in Securities – (Continued)

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):

	Three months ended March 31,	
	Successor	**Predecessor**
	2023	**2022**
Proceeds from sales of fixed maturity securities, bonds available-for-sale	$ 970,333	$ 20,247
Gross realized gains	608	—
Gross realized losses	25,145	—

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

In accordance with various regulations, American National has bonds on deposit with regulating authorities with a carrying value of $30.2 million and $51.1 million at March 31, 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 $43.6 million and $44.8 million at March 31, 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):

	Three months ended March 31,	
	Successor	**Predecessor**
	2023	**2022**
Fixed maturity securities: change in unrealized losses	$ 425,792	$ (605,983)
Short-term change in unrealized losses	4,164	—
Adjustments for		
Deferred policy acquisition costs	—	122,095
Participating policyholders' interest	(88)	9,744
Deferred federal income tax (expense) benefit	(90,238)	99,124
Change in net unrealized gains (losses) on debt securities, net of tax	**$ 339,630**	**$ (375,020)**

Note 4 – Investment in Securities – (Continued)

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

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Unrealized losses on equity securities	$ (28,599)	$ (1,270)
Net gains (losses) on equity securities sold	303	(8,212)
Net losses on equity securities	**$ (28,296)**	**$ (9,482)**

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):

	March 31, 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 securities, bonds available-for-sale									
U.S. treasury and government	19	$ (981)	$ 37,221	—	$ —	$ —	19	$ (981)	$ 37,221
U.S. states and political subdivisions	484	(16,275)	719,606	—	—	—	484	(16,275)	719,606
Foreign governments	1	(339)	8,997	—	—	—	1	(339)	8,997
Corporate debt securities	1,187	(456,292)	10,146,378	—	—	—	1,187	(456,292)	10,146,378
Collateralized debt securities	76	(38,305)	1,121,954	—	—	—	76	(38,305)	1,121,954
Residential mortgage-backed securities	46	(5,313)	124,303	—	—	—	46	(5,313)	124,303
Total	**1,813**	**$ (517,505)**	**$12,158,459**	**—**	**$ —**	**$ —**	**1,813**	**$ (517,505)**	**$12,158,459**

	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 securities, 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**

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.

Note 4 – Investment in Securities – (Continued)

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

	March 31, 2023			December 31, 2022		
Energy and utilities	$	28,686	6.6 %	$	30,722	7.2 %
Finance		383,053	88.6		374,688	87.4
Other		20,627	4.8		22,959	5.4
Total	**$**	**432,366**	**100.0 %**	**$**	**428,369**	**100.0 %**

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 March 31, 2023 and 2022.

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**	**Foreign governments**	**Corporate Debt Securities**	**Collateralized Debt Securities**	**Residential Mortgage Backed Securities**	**Total**
Balance at January 1, 2023	**$ (742)**	**$ (12)**	**$ (23,049)**	**$ (4,574)**	**$ (331)**	**$ (28,708)**
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	12	11,219	355	213	12,329
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)**

Predecessor	**U.S. State and Political Subdivisions**	**Foreign governments**	**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)**

Note 4 – Investment in Securities – (Continued)

Credit Quality Indicators

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

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):

	March 31, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 905,218	15.9 %	$ 898,915	16.2 %
East South Central	44,698	0.8	65,548	1.2
Mountain	1,376,981	24.2	1,360,837	24.5
Pacific	909,329	15.9	924,187	16.7
South Atlantic	1,021,296	17.9	967,353	17.4
West South Central	1,128,902	19.8	1,068,239	19.3
Other	314,068	5.5	261,096	4.7
Total	**$ 5,700,492**	**100.0 %**	**$ 5,546,175**	**100.0 %**

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

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

Note 5 – Mortgage Loans – (Continued)

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

March 31, 2023	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days Past Due	Total	Current	Total Amount	Total Percentage
Apartment	$ —	$ —	$ —	$ —	$ 828,473	$ 828,473	14.4 %
Hotel	19,376	—	—	19,376	971,944	991,320	17.2
Industrial	—	—	—	—	1,059,406	1,059,406	18.4
Office	22,524	27,487	27,001	77,012	1,004,510	1,081,522	18.8
Parking	—	—	—	—	418,341	418,341	7.3
Retail	—	24,921	—	24,921	812,998	837,919	14.6
Storage	—	—	—	—	118,830	118,830	2.1
Other	—	—	—	—	414,112	414,112	7.2
Total	**$ 41,900**	**$ 52,408**	**$ 27,001**	**$ 121,309**	**$ 5,628,614**	**$ 5,749,923**	**100.0 %**
Allowance for credit losses						(49,431)	
Total, net of allowance						**$ 5,700,492**	

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**	

Through the COVID-19 pandemic, American National provided modifications to loans in the form of forbearance of principal and interest payments for up to six months, extensions of maturity dates, and/or provisions for interest only payments. As a result of improved economic conditions, all loans have been paid in full or have completed the modified terms and returned to the original loan agreement as of December 31, 2022, except for three loans. These three loans received additional modifications in the form of extended maturity dates or interest only periods. These loans had an aggregate deferred interest of $0.3 million with a total balance of $30.3 million as of March 31, 2023.

Note 5 – Mortgage Loans – (Continued)

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 consumer loans to borrowers experiencing financial difficulty, common modifications, aside from insignificant delays in payment, typically involve the deferral of a portion of the amount due until the loan's maturity.

For the three-months ended March 31, 2023, the Company granted additional extensions on four previously restructured loans totaling $66.9 million in amortized cost. The loan term modifications ranged from 3 months to 24 months and represented approximately 1% 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 reset. The provision of $38.3 million is the net amount of recovery and adjustment for the second, third and fourth 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 December 31, 2022	**$ (38,266)**
Charge offs	(15,051)
Provision	3,886
Balance at March 31, 2023	**$ (49,431)**

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

The increase in allowance from prior year is driven by two Office loans in foreclosure with anticipated losses of $15.0 million. The Office sector continues to struggle with rising vacancies in the post pandemic era.

Note 5 – Mortgage Loans – (Continued)

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

	March 31, 2023		December 31, 2022	
	Asset Balance	Allowance	Asset Balance	Allowance
Apartment	$ 828,473	$ (3,763)	$ 805,690	$ (1,111)
Hotel	991,320	(7,641)	1,009,560	(5,400)
Industrial	1,059,406	(4,139)	1,043,305	(4,118)
Office	1,081,522	(22,818)	1,131,982	(17,420)
Parking	418,341	(5,492)	419,878	(5,566)
Retail	837,919	(4,438)	842,483	(3,740)
Storage	118,830	(389)	118,875	(469)
Other	414,112	(751)	212,668	(442)
Total	**$ 5,749,923**	**$ (49,431)**	**$ 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	$ —	$ 285,156	$ 164,965	$ 83,092	$ 126,299	$ 168,961	$ 828,473
Hotel	24,552	215,932	31,916	39,265	77,020	602,635	991,320
Industrial	—	289,929	171,760	185,013	120,335	292,369	1,059,406
Office	—	106,454	5,423	24,180	46,482	898,983	1,081,522
Parking	—	54,646	28,919	2,791	12,914	319,071	418,341
Retail	—	233,548	118,014	58,709	30,313	397,335	837,919
Storage	—	8,153	20,009	36,099	22,610	31,959	118,830
Other	142,803	134,417	44,814	—	16,793	75,285	414,112
Total	**$ 167,355**	**$ 1,328,235**	**$ 585,820**	**$ 429,149**	**$ 452,766**	**$ 2,786,598**	**$ 5,749,923**
Allowance for credit losses							(49,431)
Total, net of allowance							**$ 5,700,492**

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 March 31, 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 March 31, 2023, we have included a $3.1 million liability in other liabilities on the condensed consolidated statements of financial position based on unfunded loan commitments of $634 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):

	March 31, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Hotel	$ 86,868	8.2 %	$ 77,458	7.5 %
Industrial	161,582	15.2	167,522	16.2
Land	49,296	4.6	48,199	4.7
Office	246,375	23.2	243,431	23.5
Retail	211,090	19.8	211,923	20.5
Apartments	248,921	23.4	253,678	24.5
Other	59,756	5.6	33,508	3.1
Total	**$ 1,063,888**	**100.0 %**	**$ 1,035,719**	**100.0 %**

	March 31, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
East North Central	$ 100,116	9.4 %	$ 97,938	9.5 %
East South Central	26,456	2.5	27,650	2.7
Mountain	237,309	22.3	239,672	23.1
Pacific	171,917	16.2	160,289	15.5
South Atlantic	87,002	8.2	88,280	8.5
West South Central	364,370	34.2	371,049	35.8
Other	76,718	7.2	50,841	4.9
Total	**$ 1,063,888**	**100.0 %**	**$ 1,035,719**	**100.0 %**

As of March 31, 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.

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

	March 31, 2023	December 31, 2022
Fixed maturity securities, bonds available-for-sale, at estimated fair value	$ 415,889	$ —
Mortgage loans on real estate, net of allowance for credit losses	65,496	—
Real estate and real estate partnerships, net of accumulated depreciation	139,335	132,514
Investment funds	860,610	799,886
Short-term investments	501	501
Total investments	**1,481,831**	**932,901**
Cash and cash equivalents	54,053	12,953
Premiums due and other receivables	2,991	2,221
Other assets	10,408	13,596
Total assets of consolidated VIEs	**1,549,283**	**961,671**
Notes payable	184,175	150,913
Other liabilities	23,674	11,267
Total liabilities of consolidated VIEs	**$ 207,849**	**$ 162,180**

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

The notes payable in the condensed consolidated statements of financial position pertain to the borrowings of the consolidated VIEs. The liability of American National relating to notes payable of the consolidated VIEs is limited to the amount of its direct or indirect investment in the respective ventures, which totaled $10.3 million and $10.5 million at March 31, 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	March 31, 2023	December 31, 2022
LIBOR or Equivalent	2023	$ 10,683	$ 10,702
4.18% fixed	2024	61,588	61,905
3.25% fixed	2024	6,842	6,420
1M SOFR + 2.5%, Rate Floor 3.5%	2029	73,126	71,886
Total notes payable of ANTAC consolidated VIEs		**$ 152,239**	**$ 150,913**
Other notes payable		31,936	—
Total notes payable of consolidated VIEs		**$ 184,175**	**$ 150,913**

Unconsolidated VIEs

	March 31, 2023		December 31, 2022	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate and real estate partnerships	$ 306,811	$ 306,811	$ 316,692	$ 316,692
Mortgage loans on real estate	590,427	590,427	601,198	601,198
Accrued investment income	2,033	2,033	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 $1.8 billion and $1.7 billion at March 31, 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):

Derivatives Not Designated as Hedging Instruments	Location in the Condensed Consolidated Statements of Financial Position	March 31, 2023 Notional Amounts	March 31, 2023 Estimated Fair Value	December 31, 2022 Notional Amounts	December 31, 2022 Estimated Fair Value
Equity-indexed options	Other invested assets	$3,799,900	$ 166,775	$3,772,900	$ 121,150
Equity-indexed embedded derivative	Policyholders' account balances	3,695,094	784,231	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 — Three months ended March 31, Successor 2023	Gains (Losses) Recognized in Income on Derivatives — Three months ended March 31, Predecessor 2022
Equity-indexed options	Net investment income (loss)	$ 24,648	$ (35,183)
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	(50,683)	39,508

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):

		March 31, 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-	$ 13,136	$ 12,260	$ —	$ 12,260	$ 12,184	$ 76	$ 952
Barclays	Baa1/BBB	33,740	22,503	9,975	32,478	32,478	—	1,262
Credit Suisse	Baa1/A-	9,001	8,970	—	8,970	8,970	—	31
ING	Baa2+/BBB-+	11,483	10,650	—	10,650	10,650	—	833
JP Morgan Chase	A1/A-	1,900	—	—	—	—	—	1,900
Morgan Stanley	A1/A-	33,838	26,286	5,686	31,972	31,972	—	1,866
NATIXIS*	A1/A	9,836	9,880	—	9,880	9,836	44	—
Truist	A3/A-	39,892	31,670	4,988	36,658	36,657	—	3,234
Wells Fargo	A1/BBB+	13,949	12,850	—	12,850	12,850	—	1,099
Total		**$ 166,775**	**$ 135,069**	**$ 20,649**	**$ 155,718**	**$ 155,597**	**$ 120**	**$ 11,177**

		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	Baa2/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/A-	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):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Bonds	$ 156,623	$ 138,603
Short term investments	34,078	—
Equity securities	(46)	547
Mortgage loans	69,924	83,716
Real estate and estate partnerships	19,869	54,851
Investment funds	19,038	18,145
Equity-indexed options	24,648	(35,183)
Other invested assets	16,968	8,686
Total	**$ 341,102**	**$ 269,365**

Net investment income from equity method investments, comprised of real estate partnerships and investment funds was $40.6 million and $70.1 million for the three months ended March 31, 2023 and 2022, respectively.

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

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Bonds	$ (24,903)	$ 7,405
Real estate	2,747	2,896
Other invested assets	(211)	(24)
Total	**$ (22,367)**	**$ 10,277**

Note 9 – Fair Value of Financial Instruments

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

	March 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Fixed maturity securities, bonds available-for-sale	$ 13,748,211	$ 13,748,211	$ 13,512,819	$ 13,512,819
Equity securities	432,366	432,366	428,369	428,369
Equity-indexed options, included in other invested assets	166,775	166,775	121,150	121,150
Mortgage loans on real estate, net of allowance	5,700,492	5,319,879	5,546,175	5,306,834
Policy loans	376,089	376,089	374,481	374,481
Short-term investments	2,126,281	2,126,281	1,836,678	1,836,678
Separate account assets ($1,059,295 and $1,012,449 included in fair value hierarchy)	1,098,352	1,098,352	1,045,217	1,045,217
Separately managed accounts, included in other invested assets	127,197	127,197	127,291	127,291
Total financial assets	**$ 23,775,763**	**$ 23,395,150**	**$ 22,992,180**	**$ 22,752,839**
Financial liabilities				
Investment contracts	$ 9,991,895	$ 9,991,895	$ 9,780,174	$ 9,780,174
Embedded derivative liability for equity-indexed contracts	784,231	784,231	725,546	725,546
Notes payable	184,175	184,175	150,913	150,913
Separate account liabilities ($1,059,295 and $1,012,449 included in fair value hierarchy)	1,098,352	1,098,352	1,045,217	1,045,217
Total financial liabilities	**$ 12,058,653**	**$ 12,058,653**	**$ 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 common preferred stock, current market quotes in active markets are unavailable. In these instances, an estimated fair value is received from the pricing service. The service utilizes similar methodologies to price preferred stocks as it does for fixed maturity securities. If applicable, these estimates would be disclosed as Level 2 measurements. American National tests the accuracy of the information provided by reference to other services annually.

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

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

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

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

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

No gains or losses were recognized on assets transferred to separate accounts for the three months ended March 31, 2023 and 2022, respectively.

	March 31, 2023			
	Variable Life	Variable Annuities	Pension	Total
Balance, beginning of year	$ 230,148	$ 349,820	$ 465,249	$ 1,045,217
Premiums and deposits	2,868	17,330	597	20,795
Policy charges	(2,372)	(1,043)	(36)	(3,451)
Surrenders and withdrawals	(3,874)	(14,867)	—	(18,740)
Benefit payments	—	—	(5,071)	(5,071)
Investment performance	14,641	19,885	26,884	61,410
Net transfers from (to) general account	(505)	(647)	(656)	(1,808)
Balance, end of year	**$ 240,906**	**$ 370,478**	**$ 486,967**	**$ 1,098,352**
Cash Surrender Value	$ 241,098	$ 366,745	$ —	

Embedded Derivatives—The amounts reported within policyholder contract deposits include equity linked interest crediting rates based on the S&P 500 and NASDAQ-100 indices 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 March 31, 2023 and December 31, 2022, the one year implied volatility used to estimate embedded derivative value was 19.9% 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	
	March 31, 2023	December 31, 2022		March 31, 2023	December 31, 2022
Security type					
Embedded derivative					
Indexed Annuities	$ 758.0	$ 713.5	Lapse Rate	1-50%	1-50%
			Mortality Multiplier	100%	100%
			Equity Volatility	14-62%	16-66%
Indexed Life	26.2	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 March 31, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	$ 40,837	$ 40,837	$ —	$ —
U.S. states and political subdivisions	838,550	—	838,550	—
Foreign governments	8,997	—	8,997	—
Corporate debt securities	11,368,766	—	9,846,163	1,522,603
Residential mortgage-backed securities	124,576	—	124,576	—
Collateralized debt securities	1,366,485	—	384,322	982,163
Total bonds available-for-sale	**13,748,211**	**40,837**	**11,202,608**	**2,504,766**
Equity securities				
Common stock	373,279	158,125	—	215,154
Preferred stock	59,087	24,342	—	34,745
Total equity securities	**432,366**	**182,467**	**—**	**249,899**
Options	166,775	—	—	166,775
Short-term investments	2,126,281	587,298	—	1,538,983
Separately managed accounts	127,197	—	—	127,197
Separate account assets	1,059,295	336,316	722,979	—
Total financial assets	**$ 17,660,125**	**$ 1,146,918**	**$ 11,925,587**	**$ 4,587,620**
Financial liabilities				
Embedded derivative for equity-indexed contracts	$ 784,231	$ —	$ —	$ 784,231
Notes payable	184,175	—	—	184,175
Separate account liabilities	1,059,295	336,316	722,979	—
Total financial liabilities	**$ 2,027,701**	**$ 336,316**	**$ 722,979**	**$ 968,406**

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 securities, 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
Separately managed accounts	127,291	—	—	127,291
Separate account assets	1,012,499	313,752	698,747	—
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
Notes payable	150,913	—	—	150,913
Separate account liabilities	1,012,499	313,752	698,747	—
Total financial liabilities	**$ 1,888,958**	**$ 313,752**	**$ 698,747**	**$ 876,459**

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 March 31, 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	85,505	24,648	—	—
Net change included in interest credited	—	—	—	50,683
Net fair value change included in other comprehensive income	—	—	(295)	—
Purchases, sales and settlements or maturities				
Purchases	1,404,527	30,427	9,156	—
Sales	(236,805)	—	(8,955)	—
Settlements or maturities	(35)	(9,450)	—	—
Premiums less benefits	—	—	—	8,002
Ending balance at March 31, 2023	**$ 4,292,998**	**$ 166,775**	**$ 127,197**	**$ 784,231**

	Level 3			
	Three months ended March 31, 2022			
	Assets			Liability
Predecessor	**Investment Securities**	**Equity-Indexed Options**	**Separately Managed Accounts**	**Embedded Derivative**
Beginning Balance	**$ 280,705**	**$ 259,383**	**$ 99,884**	**$ 832,579**
Net loss for derivatives included in net investment income	—	(35,183)	—	—
Net change included in interest credited	—	—	—	(39,508)
Net fair value change included in other comprehensive income	296	—	5	—
Purchases, sales and settlements or maturities				
Purchases	30,269	22,960	12,765	—
Sales	(20,247)	—	(7,441)	—
Settlements or maturities	—	(41,864)	—	—
Premiums less benefits	—	—	—	1,565
Ending balance at March 31, 2022	**$ 291,023**	**$ 205,296**	**$ 105,213**	**$ 794,636**

Within the net gain (loss) for derivatives included in net investment income were unrealized gains of $35.3 million and unrealized losses of $56.2 million, relating to assets still held at March 31, 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.

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

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.

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

Successor	Fair Value at March 31, 2023	Valuation Technique	Unobservable Input	Range/Weighted Average
Security type				
Investment securities				
Common stock	$ 1,111	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	4,859	Guideline public company method	LTM Revenue Multiple (4)	5.40x
		CVM	NCY Revenue Multiple	6.82x
			LTM EBITDA Multiple	5.5x
			NCY EBITDA Multiple (8)	5.5x
Bonds	320,180	Priced at cost	Coupon rate	4.00-11.13%
Separately managed accounts	127,197	Discounted cash flows (yield analysis)	Discount rate	7.60-21.10%
		CVM	NCY EBITDA	0x
		Market transaction		N/A

Predecessor	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 adjustments for the past 12 month period.

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

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

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

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

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

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

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

Fair Value Information About Financial Instruments Not Recorded at Fair Value

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

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

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

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

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

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

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

Federal Home Loan Bank Advance—The Federal Home Loan Bank advance was carried at outstanding principal balance. The fair value of the advance was obtained from the Federal Home Loan Bank of Dallas. The Company does not have outstanding loans from FHLB as of December 31, 2022 and March 31, 2023.

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):

	March 31, 2023		
	FV Hierarchy Level	Carrying Amount	Fair Value
Financial assets			
Mortgage loans on real estate, net of allowance	Level 3	$ 5,700,492	$ 5,319,879
Policy loans	Level 3	376,089	376,089
Total financial assets		**$ 6,076,581**	**$ 5,695,968**
Financial liabilities			
Investment contracts	Level 3	$ 9,991,895	$ 9,991,895
Long-term debt	Level 3	1,511,588	1,511,588
Notes payable	Level 3	184,175	184,175
Total financial liabilities		**$ 11,687,658**	**$ 11,687,658**

	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	1,503,400	1,503,400
Notes payable	Level 3	150,913	150,913
Total financial liabilities		**$ 11,434,487**	**$ 11,434,487**

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

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

	Life	Annuity	Health	Property & Casualty	Total
Beginning balance at January 1, 2023	**$ 400,985**	**$ 71,469**	**$ 7,153**	**$ 184,871**	**$ 664,478**
Additions	39,407	25,404	2,835	112,049	179,695
Amortization	(9,212)	(2,568)	(1,212)	(118,765)	(131,757)
Net change	**30,195**	**22,836**	**1,623**	**(6,716)**	**47,938**
Ending balance at March 31, 2023	**$ 431,180**	**$ 94,305**	**$ 8,776**	**$ 178,155**	**$ 712,416**

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

The changes in negative VOBA are shown below (in thousands):

	Life	Annuity	Total
Balance at January 1, 2023	**$ (711,612)**	**$ (172,030)**	**$ (883,642)**
Amortization	9,636	3,007	12,643
Net change	**9,636**	**3,007**	**12,643**
Balance at March 31, 2023	**$ (701,976)**	**$ (169,023)**	**$ (870,999)**

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

Years	**Asset**	**Liability**
2023	$ 71,222	$ (53,201)
2024	30,873	(51,132)
2025	27,565	(48,103)
2026	24,892	(45,313)
2027	22,524	(42,703)
Thereafter	227,692	(643,190)
Total amortization expense (credit)	**$ 404,768**	**$ (883,642)**

The amortization of the VOBA asset is included in the change in deferred acquisition costs in the consolidated statement of operations. The amortization of the VOBA liability is included in policyholder benefits 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):

	Three months ended March 31,	
	Successor	Predecessor
	2023	2022
Unpaid claims balance, beginning	**$ 1,568,543**	**$ 1,455,079**
Less: Reinsurance recoverables	305,327	288,358
Net beginning balance	**1,263,216**	**1,166,721**
Incurred related to		
Current	374,938	298,198
Prior years	(10,424)	(6,150)
Total incurred claims	**364,514**	**292,048**
Paid claims related to		
Current	108,329	95,315
Prior years	230,240	191,862
Less: Total paid claims	**338,569**	**287,177**
Net balance	**1,289,161**	**1,171,592**
Plus: Reinsurance recoverables	299,969	274,708
Unpaid claims balance, ending	**$ 1,589,130**	**$ 1,446,300**

Estimates for ultimate incurred claims attributable to insured events of prior years' decreased by approximately $10.4 million during the first three months of 2023 and decreased by $6.2 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 agribusiness, businessowners, commercial automotive, and commercial other lines of business. The favorable development in 2022 during the "Predecessor" period was a reflection of lower-than-anticipated settlement of losses arising from the guaranteed asset protection waiver line 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 March 31, 2023 and December 31, 2022 was $15.5 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):

	Three months ended March 31,			
	Successor		Predecessor	
	Amount	Rate	Amount	Rate
Total expected income tax expense at the statutory rate	$ 2,729	21.0 %	$ 29,155	21.0 %
Tax-exempt investment income	(798)	(6.1)	(1,119)	(0.8)
Dividend exclusion	(599)	(4.6)	(211)	(0.2)
Tax credits, net	(4,851)	(37.3)	(1,331)	(1.0)
Low income housing tax credit expense	717	5.5	807	0.6
Other items, net	555	4.3	(15)	0.1
Total	**$ (2,247)**	**(17.2)%**	**$ 27,286**	**19.7 %**

For the three months ended March 31, 2023, American National received income tax refunds of $1.2 million and made no income tax payments. For the three months ended March 31,2022, American National made no income tax payments. For tax purposes, as of March 31, 2023, American National had net operating loss carryforwards of $80.3 million and no material tax credit carryforwards.

American National's federal income tax returns for tax years 2018 to 2021 are subject to examination by the Internal Revenue Service. In 2021, we filed amended returns for tax years 2017 and 2018 resulting in a tax refund. In April 2022, the IRS requested, and we accepted, a request to extend the statute of limitations on the 2018 tax year to October 2023 in order to allow more time to review our refund claim. Our refunds were received in April 2023. 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 March 31, 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, the historic balance of accumulated other comprehensive income (loss) ("AOCI") was eliminated as a result of the Merger. The components of and changes in AOCI are shown below, net of tax (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	19,514	1,446	—	—	—	20,960
Unrealized gains arising during the period	320,184	—	—	—	—	320,184
Unrealized losses on investments attributable to participating policyholders' interest	(69)	—	—	—	—	(69)
Change in discount rates	—	—	—	(105,674)	—	(105,674)
Change in fair value market risk benefits, net	—	—	—	—	(6,790)	(6,790)
Foreign currency adjustment	—	—	136	—	—	136
Ending balance at March 31, 2023	**$ (381,907)**	**$ 2,607**	**$ (1,101)**	**$ 147,452**	**$ 13,989**	**$ (218,960)**

Predecessor	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, 2022	**$ 149,312**	**$ 546**	**$ (2,804)**	**$ —**	**$ —**	**$ 147,054**
Amounts reclassified from AOCI	(5,400)	2,843	—	—	—	(2,557)
Unrealized holding losses arising during the period	(473,773)	—	—	—	—	(473,773)
Unrealized adjustment to DAC	96,455	—	—	—	—	96,455
Unrealized losses on investments attributable to participating policyholders' interest	7,698	—	—	—	—	7,698
Foreign currency adjustment	—	—	312	—	—	312
Ending balance at March 31, 2022	**$ (225,708)**	**$ 3,389**	**$ (2,492)**	**$ —**	**$ —**	**$ (224,811)**

Unrealized increased during the period ended March 31, 2023 compared to December 31, 2022, as a result of a decrease in benchmark ten-year interest rates, which were 3.5% and 3.9%, 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, 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.

ANICO 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 ANICO by $548.2 million at March 31, 2023. The statutory capital and surplus of ANICO 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 $82.3 million and $79.3 million at March 31, 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):

	March 31, 2023	December 31, 2022
Statutory capital and surplus		
Life insurance entities	$ 2,067,126	$ 4,207,301
Property and casualty insurance entities	1,769,249	1,768,116

	Three Months Ended March 31,	
	2023	2022
Statutory net income		
Life insurance entities	$ 16,012	$ 52,558
Property and casualty insurance entities	(1,171)	31,698

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, the Company's wholly owned subsidiary ANH Investments, LLC ("ANH") distributed the stock of its wholly owned subsidiary American National Insurance Holdings, Inc. ("ANIH") to the Company, and the Company distributed such stock to ANAT. Such transactions were pursuant to approvals from the domiciliary state insurance regulators of the Company and the subsidiary insurance companies owned by ANIH as of December 31, 2022. In addition, on January 1, 2023, the Company 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 March 31, 2023 and 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 $68.1 million and $67.5 million at March 31, 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 first quarter was 6.28%. On June 13, 2022, the Company repaid $500 million under the Term Loan Agreement and at March 31, 2023 had $1.0 billion principal amount outstanding. The outstanding debt balance was reduced by $4.7 million in unamortized issuance costs as of March 31, 2023. Quarterly interest payments were $14.7 million and $18.5 million for the three months ended March 31, 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 $4.5 million in unamortized issuance costs as of March 31, 2023. An interest payment of $15.4 million was made on December 13, 2022.

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 March 31, 2023 were approximately $10.2 million.

American National had aggregate commitments at March 31, 2023 to purchase, expand or improve real estate, to fund fixed interest rate mortgage loans, and to purchase other invested assets of $1.8 billion, of which $1.1 billion is expected to be funded in 2023, with the remainder 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 as of March 31, 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 March 31, 2023, certain municipal bonds and collateralized mortgage obligations with a fair value of approximately $12.1 million and commercial mortgage loans of approximately $1.1 billion were on deposit with the FHLB as collateral for borrowing. As of March 31, 2023, the collateral provided borrowing capacity of approximately $679.8 million. The deposited securities and commercial mortgage loans are included in the Company’s condensed consolidated statements of financial position within fixed maturity securities and mortgage loans on real estate, net of allowance, respectively.

Guarantees

ANICO has guaranteed bank loans for customers of a third-party marketing operation. The bank loans are used to fund premium payments on life insurance policies issued by ANICO. The loans are secured by the cash values of the life insurance policies. If the customer were to default on a bank loan, ANICO would be obligated to pay off the loan. As the cash values of the life insurance policies always equal or exceed the balance of the loans, management does not foresee any loss on these guarantees. The total amount of the guarantees outstanding as of March 31, 2023, was approximately $121.4 million, while the total cash value of the related life insurance policies was approximately $143.8 million.

Litigation

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

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

Note 17 – Related Party Transactions

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

From time to time, American National may participate in investment opportunities from entities classified as related parties to Brookfield Reinsurance, including collateral and mortgage loans. During the first quarter of 2023, these investments totaled $1.25 billion and were accounted for in the same manner as those with unrelated parties in the consolidated financial statements.

On November 8, 2022 ANAT and BAMR US Holdings LLC entered into a deposit agreement. The contribution limit is up to $650.0 million. The interest rate is SOFR plus 75 basis points (5.27% at March 31, 2023). On November 10, 2022 a $600.0 million cash deposit was sent by ANAT to BAMR US Holdings LLC. The balance at March 31, 2023 was $607.6 million. The deposit is considered a cash and cash equivalent in the Company's consolidated statements of financial position as of March 31, 2023.

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances

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

	March 31, 2023			
	Term Life	**Whole Life**	**Annuity**	**Health**
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	(70)	11	—	12,270
Effect of actual variances from expected experience	(20,160)	5,517	169	(467)
Adjusted beginning of period balance	**2,379,884**	**1,430,947**	**169**	**274,042**
Net issuances (lapses)	28,974	13,029	156,564	(4,977)
Interest accrual	16,245	9,473	1,500	1,905
Net premiums collected	(38,463)	(51,313)	(158,233)	(6,699)
Ending balance at original discount rate	**2,386,640**	**1,402,137**	**—**	**264,271**
Effect of changes in discount rate assumptions	(128,819)	(46,393)	—	(7,097)
Balance, end of period	**$ 2,257,822**	**$ 1,355,743**	**$ —**	**$ 257,174**
Present value of Expected Future Policy Benefits:				
Balance, beginning of year	**$ 2,694,329**	**$ 2,635,785**	**$ 1,288,035**	**$ 292,528**
Beginning balance at original discount rate	2,960,617	2,914,365	1,368,141	303,469
Effect of changes in cash flow assumptions	(67)	46	77	12,027
Effect of actual variances from expected experience	(20,418)	5,234	1,768	(424)
Adjusted beginning of period balance	**2,940,132**	**2,919,644**	**1,369,986**	**315,072**
Net issuances (lapses)	28,974	13,029	157,025	(5,083)
Interest accrual	19,990	19,245	10,866	2,243
Benefit payments	(24,443)	(49,128)	(40,072)	(6,724)
Ending balance at original discount rate	**2,964,653**	**2,902,790**	**1,497,805**	**305,508**
Effect of changes in discount rate assumptions	(150,865)	(171,693)	(36,973)	(10,115)
Balance, end of period	**2,813,788**	**2,731,097**	**1,460,832**	**295,393**
Net liability for future policy benefits	555,966	1,375,354	1,460,832	38,219
Less: Reinsurance recoverable	(49,459)	—	—	(10,184)
Net liability for future policy benefits, after reinsurance recoverable	**$ 506,507**	**$ 1,375,354**	**$ 1,460,832**	**$ 28,035**
Weighted-average liability duration of the liability	12.6	17.9	7.9	5.9
Undiscounted expected future benefit payments	$ 5,848,101	$ 6,230,448	$ 2,231,462	$ 569,949
Undiscounted expected gross premiums	$ 6,243,142	$ 2,807,514	$ —	$ 473,079
Gross premiums recognized in statement of operations	$ 49,168	$ 67,300	$ 159,832	$ 10,788
Interest expense recognized in statement of operations	$ 3,744	$ 9,772	$ 9,365	$ 338
Interest accretion rate	4.7%	4.5%	4.5%	4.1%
Current discount rate	5.0%	5.0%	4.9%	4.5%

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

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

	March 31, 2023
Term life	$ 555,966
Whole life	1,375,354
Annuity	1,460,832
Health	28,035
Deferred profit liability	33,255
VOBA	870,997
Liability for future policy benefits not subject to LDTI	815,847
Total	**$ 5,140,286**

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% to 7.0%), less expenses, mortality charges, and withdrawals; and (iii) fair value adjustment.

The balances and changes in policyholders' account balances follow (in thousands):

	March 31, 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	9,123	12,664	478,249	95,652
Premiums received	61,957	33,625	5,696	2,145
Policy charges	(64,505)	(22,816)	(999)	(4,572)
Surrenders and withdrawals	(15,574)	(5,103)	(355,950)	(139,263)
Interest credited	6,769	13,704	66,246	71,941
Other	(7,758)	—	—	—
Balance, end of period	**$ 1,346,099**	**$ 645,735**	**$ 7,488,773**	**$ 4,709,756**
Weighted-average crediting rate	0.5 %	2.2 %	2.9 %	0.6 %
Net amount at risk	$ 22,482,547	$ 15,322,614	$ —	$ 340,123
Cash surrender value	$ 1,214,284	$ 498,549	$ 6,835,119	$ 4,197,343

Note 18 – Liability for Future Policy Benefits and 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):

	March 31, 2023
Universal life	$ 1,346,099
Equity indexed universal life	645,735
Fixed deferred annuity	7,488,773
Equity indexed annuity	4,709,756
Single premium immediate annuity	300,135
Supplemental contracts	15,577
Variable universal life	37,840
Variable deferred annuity	16,328
Other	(13,953)
Total	**$ 14,546,290**

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):

		March 31, 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	1.00%-2.00%	$ 13,676	$ 2,119	$ 9,055	$ —	$ 24,850
	2.00%-3.00%	405,481	—	148,296	—	553,777
	Greater than 3.00%	442,626	—	—	—	442,626
	Total	**$ 861,783**	**$ 2,119**	**$ 157,351**	**$ —**	**$ 1,021,253**
Equity Indexed Universal Life	1.00%-2.00%	$ 533,930	$ —	$ 30,427	$ 487	$ 564,844
	2.00%-3.00%	—	—	66,323	—	66,323
	Greater than 3.00%	—	—	—	—	—
	Total	**$ 533,930**	**$ —**	**$ 96,750**	**$ 487**	**$ 631,167**
Fixed Deferred Annuity	1.00%-2.00%	$ 382,402	$ 481,776	$ 2,009,885	$ 2,248,626	$ 5,122,688
	2.00%-3.00%	863,677	454,325	25,063	540,959	1,884,024
	Greater than 3.00%	94,356	6,194	557	747	101,853
	Total	**$ 1,340,435**	**$ 942,295**	**$ 2,035,505**	**$ 2,790,332**	**$ 7,108,565**
Equity Indexed Annuity	1.00%-2.00%	$ 3,379,897	$ 4,260	$ 642,903	$ 45,595	$ 4,072,655
	2.00%-3.00%	306,327	91,343	106,773	9,292	513,735
	Greater than 3.00%	71,123	6,878	3,489	15,114	96,604
	Total	**$ 3,757,347**	**$ 102,481**	**$ 753,165**	**$ 70,001**	**$ 4,682,994**

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

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

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

Note 18 – Liability for Future Policy Benefits and Policyholder Account Balances – (Continued)

The balances and changes in the deferred profit liability are shown below (in thousands):

	March 31, 2023	
	Whole Life	Annuity
Balance, beginning of period, at locked-in discount rate	**$ 17,841**	**$ 6,056**
Effect of changes in cash flow assumptions	(25)	(97)
Effect of actual variances from expected experience	91	(501)
Adjusted beginning of period balance	**17,907**	**5,458**
Profits deferred	8,261	1,599
Interest accrual	151	49
Amortization	(4)	(165)
Balance, end of period, at locked-in discount rate	**$ 26,315**	**$ 6,941**

Note 19 - 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).

	March 31, 2023
	Annuity
Balance, beginning of period	**$ 44,892**
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	**71,195**
Effect of model refinements	—
Effect of non-financial assumption update	—
Attributed fees collected	2,099
Benefit payments	—
Interest Accrual	857
Adjustment from deterministic to stochastic	4,607
Effect of experience variance	(2,799)
Effect of changes in financial assumptions	(603)
Issuance	(134)
Balance, end of period, before effect of changes in nonperformance risk	**75,222**
Effect of changes in the ending instrument-specific credit risk	(17,707)
Balance, end of period	**57,515**
Reinsurance recoverable, end of period	—
Balance, end of period, net of reinsurance	**$ 57,515**

	March 31, 2023
	Annuity
Net amount at risk	$ 485,908
Weighted-average attained age of contract holders amounted	64.18

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).

	March 31, 2023		
	Asset*	Liability	Net
Annuity	$ 9,087	$ 66,602	$ 57,515

*The asset balance for market risk benefit is included under "other assets" in the Condensed Consolidated Statements of Financial Position (unaudited)

Note 20 - Subsequent Events

The Company evaluated all events and transactions through May 31, 2023, the date the accompanying Condensed Consolidated Financial Statements were available to be issued, that would merit recognition or disclosures in the consolidated financial statements, and determined there were none.