FREESTONE RE LTD.

(A Wholly-Owned Subsidiary of American National Group, LLC)

Financial Statements

December 31, 2023

FREESTONE RE LTD.
(A Wholly-Owned Subsidiary of American National Group, LLC)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Freestone Re Ltd.:

Opinion

We have audited the financial statements of Freestone Re Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of operations, comprehensive income (loss), changes in equity, and cash flow for the year ended December 31, 2023 and the period from June 1, 2022 through December 31, 2022, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Company changed its method of measurement and presentation and disclosure of long-duration insurance contracts effective January 1, 2023, using the full retrospective approach applied as of the transition date of June 1, 2022, due to the adoption of ASU 2018-12, Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

April 22, 2024

FREESTONE RE LTD.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(In thousands of United States Dollars, except per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Equity securities, at fair value (cost $151,113 at December 31, 2022)	$ —	$ 175,965
Total Investments	**—**	**175,965**
Cash and cash equivalents	253,497	1,568
Deferred policy acquisition costs	101,761	32,141
Cost of reinsurance, net of amortization of $103,384 and $39,544 at December 31, 2023 and 2022, respectively	672,670	705,661
Reinsurance on funds withheld	11,305,295	9,395,692
Total Assets	**$ 12,333,223**	**$ 10,311,027**
LIABILITIES		
Policyholders' account balances	$ 11,652,642	$ 9,901,598
Market risk benefits	5,770	44,891
Deferred tax liabilities	31,526	29,328
Other liabilities	13,028	6,576
Total Liabilities	**11,702,966**	**9,982,393**
EQUITY		
Common stock, $1 par value; 500,000,000 shares authorized; 337,145,000 and 201,098,411 shares issued and outstanding as of December 31, 2023 and 2022	337,145	201,098
Retained earnings	292,132	106,755
Accumulated other comprehensive income	980	20,781
Total Equity	**630,257**	**328,634**
Total Liabilities and Equity	**$ 12,333,223**	**$ 10,311,027**

See accompanying notes to financial statements.

FREESTONE RE LTD.
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD FROM JUNE 1, 2022 THROUGH DECEMBER 31, 2022
(In thousands of United States Dollars)

	2023	Period from June 1, 2022 through December 31, 2022
PREMIUMS AND OTHER REVENUES		
Health premiums	$ 55	$ 39
Net investment results from funds withheld	555,939	156,089
Net gains on equity securities	38,186	24,852
Total premiums and other revenues	**594,180**	**180,980**
BENEFITS, LOSSES AND EXPENSES		
Health claims incurred	25	8
Expense allowance	101,431	44,149
Interest credited	361,655	88,320
Amortization of cost of reinsurance	63,840	39,544
Change in fair value of market risk benefits	(64,184)	(100,817)
Change in deferred acquisition costs	(69,621)	(27,516)
Other operating expenses	10,822	2,160
Total benefits, losses and expenses	**403,968**	**45,848**
Gain before federal income tax	**190,212**	**135,132**
Less: Provision (benefit) for income taxes		
Current	(2,626)	4,573
Deferred	7,462	23,804
Total provision (benefit) for income taxes	**4,836**	**28,377**
Net income	**$ 185,376**	**$ 106,755**

See accompanying notes to financial statements.

FREESTONE RE LTD.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD FROM JUNE 1, 2022 THROUGH DECEMBER 31, 2022
(In thousands of United States Dollars)

	2023	Period from June 1, 2022 through December 31, 2022
Net income	$ 185,376	$ 106,755
Other comprehensive income (loss), net of tax		
Change in instrument specific credit risk for market risk benefit	(19,801)	20,781
Total other comprehensive income (loss), net of tax	(19,801)	20,781
Total comprehensive income (loss)	$ 165,575	$ 127,536

See accompanying notes to financial statements.

FREESTONE RE LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD FROM JUNE 1, 2022 THROUGH DECEMBER 31, 2022
(In thousands of United States Dollars)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as of June 1, 2022	$ —	$ —	$ —	$ —
Issuance of shares	201,098	—	—	201,098
Net income	—	106,755	—	106,755
Other comprehensive income (loss)	—	—	20,781	20,781
Balance as of December 31, 2022	**$ 201,098**	**$ 106,755**	**$ 20,781**	**$ 328,634**
Issuance of shares	136,047	—	—	136,047
Net income	—	185,376	—	185,376
Other comprehensive income (loss)	—	—	(19,801)	(19,801)
Balance at December 31, 2023	**$ 337,145**	**$ 292,131**	**$ 980**	**$ 630,256**

See accompanying notes to financial statements.

FREESTONE RE LTD.
STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD FROM JUNE 1, 2022 THROUGH DECEMBER 31, 2022
(In thousands of United States Dollars)

	2023	Period from June 1, 2022 through December 31, 2022
OPERATING ACTIVITIES		
Net income	$ 185,376	$ 106,755
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net gains on equity securities	(38,186)	(24,852)
Income tax expense	(2,626)	4,573
Interest credited to policyholders' account balances	361,655	88,320
Expense allowance	101,431	44,149
Deferred federal income tax expense (benefit)	7,462	23,804
Amortization of cost of reinsurance	63,840	39,544
Changes in:		
Reinsurance funds withheld	(305,939)	(156,089)
Market risk benefits	(64,184)	(100,817)
Deferred policy acquisition costs	(69,621)	(27,516)
Cost of reinsurance	—	(49,604)
Other, net	12,721	3,312
Net cash used in operating activities	**251,929**	**(48,421)**
INVESTING ACTIVITIES		
Net cash used in investing activities	**—**	**—**
FINANCING ACTIVITIES		
Issuance of shares	—	49,989
Net cash provided by financing activities	**—**	**49,989**
NET INCREASE IN CASH AND CASH EQUIVALENTS	251,929	1,568
Cash and cash equivalents, beginning of the period	1,568	—
Cash and cash equivalents, end of the period	**$ 253,497**	**$ 1,568**
Supplementary cash flow disclosure		
Non-cash: Assumption of new modified coinsurance reserves and assets	$ 1,087,969	$ —
Non-cash: Issuance of shares	$ 136,047	$ —
Non-cash: Sale of equity securities	$ 214,151	$ —
Non-cash: Acquisition of common stock/transfer into Reinsurance on funds withheld	$ 350,197	$ —
Non-cash: Cost of reinsurance capitalization	$ 30,849	$ —

See accompanying notes to financial statements.

Note 1 – Organization and Nature of Operations

Freestone Re Ltd. ("the Company") was incorporated under the laws of Bermuda on October 28, 2021. The Company is a wholly-owned subsidiary of American National Group, LLC ("ANAT"), "the Parent", which is itself a wholly owned subsidiary of BAMR US Holdings LLC ("BAMR US"). The Company is licensed as a Class C insurer under the Bermuda Insurance Act 1978.

The Company has a wholly-owned subsidiary, Grace Reinsurance Ltd., registered on February 27, 2023 in Bermuda as an Exempted Company under the provisions of Section 14 of the Companies Act 1981.

The Company signed as of June 1, 2022 a Modified Coinsurance ("Modco") Agreement with American National Insurance Company ("ANICO"), a Texas domiciled stock life, accident, and health insurance company and wholly owned subsidiary of ANAT. The agreement was effective as of January 1, 2022.

Under the agreement, ANICO ceded to the Company at inception, on a Modco basis, a block of approximately $9.9 billion of in-force annuity policies (Fixed Deferred Annuity, Fixed Index Annuity, and Multi-year Guaranteed Annuity) and a small number of credit accident and health insurance policies. Prospectively, ANICO cedes 100% of the risk on in-force business and 70% of the risk on new business, on a Modco basis. Beginning in September 2023, the Company amended this agreement to stop assuming policies issued subsequent to July 1, 2023.

In December 2023, the Company entered into a new MODCO agreement with ANICO to assume 70% of fixed annuity policies issued from July 1, 2023 to December 31, 2023.

Note 2 – Summary of Significant Accounting Policies and Practices

The financial statements and notes thereto have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") on a going concern basis and are reported in United States currency.

The preparation of financial statements and related disclosures in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period in which they are determined to be necessary.

The significant accounting policies used in preparing these financial statements, are summarized below.

Investments consist of Common Stock. Those equity securities are measured at fair value at the date of the financial statements with changes in fair value recognized in earnings.

Cash and cash equivalents include cash and short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of purchase.

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. Amortization is calculated on a straight-line basis over the remaining life of the underlying policies and recorded in expenses in the Statement of Operations. Amortization base is policy count.

Reinsurance on funds withheld is a receivable for amounts contractually withheld by ANICO in accordance with reinsurance agreements in which the Company acts as a reinsurer. The receivable represents assets that are held in custodial accounts that are legally segregated from ANICO's general account and are managed by ANICO. These assets are typically cash and cash equivalents, fixed income, equity securities, mortgage loans, real estate and options. In the event of ANICO's insolvency, the Company would need to assert a claim on the assets supporting the insurance reserves. However, the Company has the ability to offset amounts owed to ANICO. Interest accrues on these assets based upon the investment earnings on the underlying investments.

The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets. The embedded derivative unrealized gain/(loss) is also included within this receivable balance.

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

Derivative instruments in the form of equity-indexed options are purchased and held in the Modco assets portfolio at cost to offset fluctuations in interest credited to fixed indexed annuities linked to the performance of equity indices.

An embedded derivative exists to the extent the Company has a reinsurance arrangement with the ceding company but is exposed to credit risk of the issuers (i.e., unrelated third parties) of the Modco assets. When the embedded derivative is not clearly and closely related to the host contract, it must be bifurcated and accounted for separately at fair market value. Under a Modco arrangement, the ceding company holds the assets backing the liabilities ceded and passes through to the reinsurer all investment returns, including credit and interest rate related gains and losses. The liability leg is the difference between the market value and book value of the projected statutory reserve liability as of the reporting date.

Federal income taxes. The Company made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. As such, the Company is included in the consolidated federal income tax return of BAMR US. In accordance with the Company's tax sharing agreement with BAMR US, tax liabilities are calculated as if each subsidiary filed a separate federal income tax return. If the Company has taxable income, it pays its share of the consolidated federal income tax liability to BAMR US. However, if the Company incurs a tax loss, the tax benefit is recovered by decreasing subsequent year's federal income tax payments to BAMR US.

Deferred income tax assets and liabilities are recognized to reflect the future tax consequences attributable to differences between the financial statement amounts of assets and liabilities and their respective tax bases. Deferred taxes are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled.

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

Net investment results from funds withheld include investment income on funds withheld. Changes in the fair value of funds withheld investments are included in the net investment results from funds withheld. Unrealized gain/(loss) on embedded derivative is also included as part of the net investment result from funds withheld.

Interest credited is comprised of gross premiums, benefits, and change in reserves. Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, with the result that benefits, and expenses are matched with such revenue. Benefits paid are recorded when they are due and incurred. Change in reserves is calculated based on the difference between the ending and beginning reserves.

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 June 1, 2022 using a full retrospective approach. LDTI resulted in significant changes to the measurement, presentation and disclosure requirements for long-duration insurance contracts. A summary of the most significant changes follows:

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

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

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

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

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

(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
Cost of reinsurance	6
Policyholders' account balances	12

Cost of reinsurance is comprised of all amounts paid to the Company, less the expected recoveries and reimbursements to be paid to the ceding entity, plus or minus any assumed commission and expense allowance not representing reimbursement of acquisition costs. The cost of reinsurance is amortized on a straight-line basis over the remaining life of the underlying reinsurance contracts. Amortization is recorded in expenses within the Statement of Operations.

Market risk benefits ("MRB") are measured at fair value at the seriatim 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.

Change in Accounting Principles

In the first quarter of fiscal year 2023, the Company made an accounting policy election relating to the capitalization of DAC. Historically, all expense allowances assumed have been expensed as incurred in the statements of operations. Under the new policy, expense allowances related directly to the successful acquisition of new or renewal insurance contracts, such as first year commissions, shall be capitalized.

The impact of this change in accounting principle is reflected in the table below (in thousands):

	December 31, 2022		
	As Previously Reported	Adjustment	As Adjusted
ASSETS			
Deferred policy acquisition costs	4,625	27,516	32,141
Total Assets	**$ 10,192,538**	**$ 27,516**	**$ 10,220,054**
LIABILITIES			
Deferred tax liabilities	—	5,778	5,778
Total Liabilities	**$ 10,025,271**	**$ 5,778**	**$ 10,031,049**
EQUITY			
Retained earnings (Accumulated deficit)	(33,831)	21,738	(12,093)
Total Equity	**167,267**	**21,738**	**189,005**
Total Liabilities and Equity	**$ 10,192,538**	**$ 27,516**	**$ 10,220,054**

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

	December 31, 2022		
	As Previously Reported	Adjustment	As Adjusted
BENEFITS, LOSSES AND EXPENSES			
Change in deferred acquisition costs	—	(27,516)	(27,516)
Total benefits, losses and expenses	223,804	(27,516)	196,288
Deferred tax expense (benefit)	(13,567)	5,778	(7,789)
Net income (loss)	**$ (33,830)**	**$ 21,738**	**$ (12,092)**

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 Statement of Financial Position (in thousands).

	December 31, 2022		
	As Previously Reported	Effect of Adoption	As Adjusted
ASSETS			
Equity securities, at fair value	$ 175,965	$ —	$ 175,965
Total investments	**175,965**	**—**	**175,965**
Cash and cash equivalents	1,568	—	1,568
Deferred policy acquisition costs	4,625	—	4,625
Deferred tax asset	13,567	(13,567)	—
Cost of reinsurance	601,121	104,540	705,661
Reinsurance on funds withheld	9,395,692	—	9,395,692
Total assets	**$ 10,192,538**	**$ 90,973**	**$ 10,283,511**
LIABILITIES			
Insurance reserves	$ 10,018,695	$ (117,097)	$ 9,901,598
Market risk benefits	—	44,891	44,891
Income tax liabilities	4,573	—	4,573
Deferred tax liabilities	—	23,550	23,550
Other liabilities	2,003	—	2,003
Total liabilities	**10,025,271**	**(48,656)**	**9,976,615**
EQUITY			
Common stock, $1 par value; 500,000,000 shares authorized; 201,098,411 shares issued and outstanding	201,098	—	201,098
Retained earnings (Accumulated deficit)	(33,831)	118,868	85,037
Accumulated other comprehensive income (loss)	—	20,781	20,781
Total equity	**167,267**	**139,649**	**306,916**
Total liabilities and equity	**$ 10,192,538**	**$ 90,993**	**$ 10,283,531**

	December 31, 2022		
	As Previously Reported	Adjustment	As Adjusted
BENEFITS, LOSSES AND EXPENSES			
Change in fair value of market risk benefits	—	(100,817)	(100,817)
Interest Credited	98,095	(9,775)	88,320
Amortization of cost of reinsurance	79,393	(39,849)	39,544
Total benefits, losses and expenses	223,804	(150,441)	73,363
Income before federal income tax and other provisions	(42,824)	150,441	107,618
Current	4,573	—	4,573
Deferred	(13,567)	31,593	18,026
Net income (loss)	**$ (33,830)**	**$ 118,848**	**$ 85,018**

Note 3 – Recently Issued Accounting Pronouncements (continued)

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

Cost of reinsurance - The Company aligned its DAC and cost of reinsurance amortization to be amortized over a constant basis.

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 market risk benefits;

- 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 Cost of Reinsurance.

Other Adopted Accounting Pronouncements

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

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 financial statements or disclosures.

Adoption of New 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 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. The transition from LIBOR is not expected to have a material impact to the Company's Consolidated Financial Statements or Notes to the Financial Statements.

Note 4 - Deferred Policy Acquisition Costs ("DAC")

Deferred policy acquisition costs are shown below (in thousands):

	Total
Beginning balance at June 1, 2022	$ —
Additions	32,704
Amortization	(563)
Ending balance at December 31, 2022	**$ 32,141**
Additions	79,050
Amortization	(9,430)
Ending balance at December 31, 2023	**$ 101,761**

Note 5 - Derivative Instruments

The embedded derivative unrealized loss was composed of the following (in thousands).

	December 31, 2023	December 31, 2022
Change in unrealized loss	$ (371,370)	$ (637,808)
Liability leg	(390,116)	(563,241)
Unrealized gain (loss)	**$ 18,746**	**$ (74,567)**

Note 6 - Cost of Reinsurance, Net of Amortization

Cost of reinsurance represents the amount of GAAP liability assumed in excess of reinsurance funds withheld plus ceding commission paid by the Company to ANICO. The table below presents the components of cost of reinsurance during the year ended December 31, 2023 and the period from June 1, 2022 through December 31, 2022 (in thousands).

Beginning balance at June 1, 2022	$ 680,514
New capitalization	64,691
Amortization	(39,544)
Ending balance at December 31, 2022	**$ 705,661**
New capitalization	30,849
Amortization	(63,840)
Ending balance at December 31, 2023	**$ 672,670**

Note 7 - Reinsurance on Funds Withheld

The reinsurance on funds withheld balances were as follows as of December 31, 2023 and 2022 (in millions):

	2023		2022	
	Book Value	Market Value	Book Value	Market Value
Reinsurance on funds withheld	$ 11,286	$ 11,305	$ 9,471	$ 9,396

Note 8 - Net Investment Results from Funds Withheld

The net investment results from funds withheld for the year ended December 31, 2023 were as follows (in thousands):

	Net investment income	Net realized investment losses	Interest Income	Depreciation	Impairments	Unrealized gain on investments	Total
Fixed income	$ 250,400	$ (25,876)	$ 2,880	$ —	$ (1,847)	$ 2,469	$ 228,026
Common stock	(46)	—	—	—	—	(8,009)	(8,055)
Short term investments	6,872	(45)	—	—	—	—	6,827
Money market	3,169	—	—	—	—	—	3,169
Loans	217,082	—	—	—	(7,801)	—	209,281
Options	—	23,785	—	—	—	—	23,785
Real estate	180	—	—	(586)	—	—	(406)
Total	**$ 477,657**	**$ (2,136)**	**$ 2,880**	**$ (586)**	**$ (9,648)**	**$ (5,540)**	**$ 462,626**
						Unrealized gain on embedded derivative	93,313
						Total net investment results from funds withheld	**$ 555,939**

Note 8 - Net Investment Results from Funds Withheld (continued)

The net investment results from funds withheld for the period from June 1, 2022 to December 31, 2022 were as follows (in thousands):

	Net investment income	Net realized investment losses	Impairments	Unrealized gain on investments	Total
Fixed income	$ 188,160	$ (10,002)	$ (12,643)	$ 169	$ 165,684
Common stock	1,615	—	—	—	1,615
Short term investments	76	—	—	—	76
Loans	87,273	—	—	—	87,273
Options	—	(25,381)	—	—	(25,381)
Total	**$ 277,124**	**$ (35,383)**	**$ (12,643)**	**$ 169**	**$ 229,267**
Dividends	1,389	—	—	—	1,389
Total	**$ 278,513**	**$ (35,383)**	**$ (12,643)**	**$ 169**	**$ 230,656**
Unrealized loss on embedded derivative					(74,567)
Total net investment results from funds withheld					**$ 156,089**

Note 9 - Federal Income Taxes

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

	For the Year Ended December 31,		For the Period from June 1, 2022 through December 31, 2022	
	2023		2022	
	Amount	Rate	Amount	Rate
Total expected income tax expense at the statutory rate	$ 39,945	21.0 %	$ 28,377	21.0 %
Implementation of new tax legislation	(35,000)	(18.4)%	—	—
Other items, net	(109)	(0.1)%	—	—
Total	$ 4,836	2.5 %	$ 28,377	21.0 %

The Company's federal income tax return for tax year 2022 is subject to examination by the Internal Revenue Service. In the opinion of management, all prior year deficiencies have been paid or adequate provisions have been made for any tax deficiencies that may be upheld.

The tax effects of temporary differences that gave rise to the deferred tax assets and liabilities are shown below (in thousands):

	December 31, 2023	December 31, 2022
DEFERRED TAX ASSETS:		
Market risk benefits	$ 1,212	$ 9,427
Tax carryforward	11,741	—
Bermuda tax	35,000	—
Other	5	5
Gross deferred tax assets	**47,958**	**9,432**
DEFERRED TAX LIABILITIES:		
Deferred policy acquisition costs	$ 21,556	$ 4,719
Equity securities	—	5,219
Reinsurance on funds withheld	44,690	28,822
Deferred intercompany gain	13,238	—
Gross deferred tax liabilities	**79,484**	**38,760**
Total net deferred tax liabilities	**$ 31,526**	**$ 29,328**

Note 9 - Federal Income Taxes (continued)

We are required to evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if necessary, to reduce our deferred tax assets to an amount that is more-likely-than-not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. Although realization is not assured, management believes it is more-likely-than-not that our deferred tax assets will be realized and that as of December 31, 2023, no valuation allowance is required.

As of December 31, 2023, the Company 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 the Company's effective tax rate.

Introduction of Pillar Two

The Organization for Economic Cooperation and Development ("OECD") and its member countries with support from the G20, have proposed the enactment of a global minimum tax of 15% for Multinational Enterprise ("MNE") groups with global annual revenue of €750 million or more ("Pillar Two"). The Company may become subject to additional income taxes as a result of these proposals, as enacted locally across jurisdictions.

The Company is not required to pay any taxes in Bermuda based upon income or capital gains. However, in December 2023, the Government of Bermuda enacted a corporate income tax ("CIT") regime, designed to align with the OECD's global minimum tax rules. Effective January 1, 2025, the regime applies a 15% CIT to Bermuda businesses that are part of MNE groups with annual revenue of €750 million or more. As a result of this new regime, the Company recognized a deferred tax asset of $35 million as of December 31, 2023. We will continue to monitor developments prior to the commencement of this regime.

Note 10 - Accumulated Other Comprehensive Income (Loss)

The components of and changes in AOCI, net of tax, are shown below (in thousands):

		Accumulated Other Comprehensive Income (Loss)
Balance as of June 1, 2022	$	—
Change in fair market value risk benefits		20,781
Balance as of December 31, 2022		**20,781**
Change in fair market value risk benefits		(19,801)
Balance as of December 31, 2023	**$**	**980**

Note 11 - Related Party Transactions

The Company signed a credit default swap protection agreement with its upstream indirect parent, BAM Re. Holdings Ltd. effective September 1, 2022. As of December 31, 2023 and 2022, the Company had a credit default swap fee payable to BAM Re. Holdings Ltd. of $9.5 million and $1.4 million, respectively, recorded in Other Liabilities in the Statement of Financial Position.

The Company received 3.9 million shares of equity securities from its Parent for a capital contribution of $151.1 million in 2022. On December 21, 2023, those shares were sold to ANAT in settlement of the notes payable discussed below.

In 2023, the Company issued a $350.1 million promissory notes payable to ANAT for the acquisition of investments. The Company contributed these investments to the funds withheld asset with ANICO in exchange for $250.0 million of investment securities. The promissory notes payable was partially settled upon the sale of the Company's equity securities with a market value of $214.2 million as of December 21, 2023. The Company's Board of Directors authorized the issuance of additional 136.0 million common shares with US$1 par value in payment of the remaining outstanding promissory notes payable.

The Company deposited $250.0 million with the Brookfield Treasury Management Inc ("BTMI") as of October 24, 2023 pursuant to its deposit agreement with BTMI. The Company earned $2.9 million interest income on the BTMI deposit for the year ended December 31, 2023.

Note 12 – Policyholders' Account Balances

The change in policyholders' account balances for the year ended December 31, 2023 and the period from June 1, 2022 through December 31, 2022 were as follows (in thousands):

	Fixed Deferred Annuity	Equity Indexed Annuity	Total
Balance as of June 1, 2022	**$ 5,524,948**	**$ 4,240,854**	**$ 9,765,802**
Issuances	550,552	179,326	729,878
Surrenders and withdrawals	(447,994)	(234,408)	(682,402)
Interest credited	81,463	6,857	88,320
Balance as of December 31, 2022	**5,708,969**	**4,192,629**	**9,901,598**
Issuances	2,784,422	282,800	3,067,222
Surrenders and withdrawals	(1,104,560)	(576,234)	(1,680,794)
Interest credited	197,030	167,586	364,616
Balance as of December 31, 2023	**$ 7,585,861**	**$ 4,066,781**	**$ 11,652,642**

December 31, 2023		
Weighted-average crediting rate	**3.2 %**	**4.1 %**
Net amount at risk	**$ —**	**$ 391,448**
Cash surrender value	**$ 6,335,587**	**$ 3,391,010**
December 31, 2022		
Weighted-average crediting rate	**2.5 %**	**2.8 %**
Net amount at risk	**$ —**	**$ 311,806**
Cash surrender value	**$ 5,521,127**	**$ 3,722,364**

Note 13 - 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).

	December 31, 2023	December 31, 2022
Balance, beginning of period	$ 44,891	$ 172,010
Effect of changes to ceding percent	(31)	—
Effect of changes in the beginning instrument-specific credit risk	41,915	43,734
Effect of model refinements	—	—
Effect of non-financial assumption update	(12,331)	—
Attributed fees collected	10,485	4,527
Benefit payments	—	—
Interest Accrual	2,097	2,167
Adjustment from deterministic to stochastic	12,806	12,026
Effect of experience variance	(9,708)	(4,298)
Issuance	1,349	2,451
Effect of changes in financial assumptions	(74,245)	(117,690)
Effect of changes in the ending instrument-specific credit risk	(11,458)	(70,036)
Balance, end of period	**$ 5,770**	**$ 44,891**

	December 31, 2023	December 31, 2022
Weighted-average attained age of contract holders amounted	65	64

Note 13 - Market Risk Benefits (continued)

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 statement of financial position follows (in thousands).

	December 31, 2023		
	Asset	Liability	Net
Annuity	$ 28,260	$ 34,030	$ 5,770

	December 31, 2022		
	Asset	Liability	Net
Annuity	$ 9,217	$ 54,108	$ 44,891

Note 14 - Regulatory

The Company is licensed by the BMA as a Class C insurer and is subject to the Bermuda Insurance Act and regulations promulgated thereunder. Under the Insurance Act 1978, as amended (Bermuda Insurance Act), the Company is subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities, and premiums. The Company's required statutory economic capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"). The Company is required to calculate and submit confirmation of compliance with the ECR to the Bermuda Monetary Authority ("BMA") annually. In addition, the Company is required to calculate a further solvency measure typically based on the Bermudan statutory accounts, referred to as the minimum solvency margin ('MSM') and confirm compliance annually. As of December 31, 2023 and 2022, the Company's Statutory Capital and Surplus was $595.3 million and $328.6 million, respectively, and the Company has met all minimum regulatory requirements.

Note 15 - Subsequent Events

The Company has evaluated all events and transactions through April 22, 2024, the date the financial statements were available to be issued.