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EDITED TRANSCRIPT

BHF.OQ - Q1 2025 Brighthouse Financial Inc Earnings Call

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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

Dana Amante *Brighthouse Financial Inc - Head of Investor Relations*

Eric Steigerwalt *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

Edward Spehar *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

David Rosenbaum *Brighthouse Financial Inc - Executive Vice President, Head of Product and Underwriting*

John Rosenthal *Brighthouse Financial Inc - Executive Vice President, Chief Investment Officer*

Myles Lambert *Brighthouse Financial Inc - Executive Vice President, Chief Distribution and Marketing Officer*

CONFERENCE CALL PARTICIPANTS

Wes Carmichael *Autonomous Research - Analyst*

John Barnidge *Piper Sandler & Co. - Analyst*

Elyse Greenspan *Wells Fargo Securities, LLC - Analyst*

Suneet Kamath *Jefferies LLC - Analyst*

Wilma Burdis *Raymond James & Associates, Inc. - Analyst*

Ryan Krueger *Keefe, Bruyette & Woods, Inc. - Analyst*

Thomas Gallagher *Evercore ISI - Analyst*

Alex Scott *Barclays - Analyst*

Jimmy Bhullar *JPMorgan - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Brighthouse Financial's first-quarter 2025 earnings conference call. My name is Michelle, and I will be your coordinator today. (Operator Instructions) As a reminder, the conference is being recorded for replay purposes.

I would now like to turn the presentation over to Dana Amante, Head of Investor Relations. Ms. Amante, you may proceed.

Dana Amante - *Brighthouse Financial Inc - Head of Investor Relations*

Thank you and good morning. Welcome to Brighthouse Financial's first-quarter 2025 earnings call. Materials for today's call were released last night and can be found on the Investor Relations section of our website. We encourage you to review all of these materials. Today, you will hear from Eric Steigerwalt, our President and Chief Executive Officer; and Ed Spehar, our Chief Financial Officer.

Following our prepared remarks, we will open the call up for a question-and-answer period. Also here with us today to participate in the discussions are Myles Lambert, our Chief Distribution and Marketing Officer; David Rosenbaum, Head of Product and Underwriting; and John Rosenthal, our Chief Investment Officer.

Before we begin, I'd like to note that our discussion during this call may include forward-looking statements within the meaning of the federal securities laws. Brighthouse Financial's actual results may differ materially from the results anticipated in the forward-looking statements as a result of risks and uncertainties described from time to time in Brighthouse Financial's filings with the SEC. Information discussed on today's call speaks only as of today, May 9, 2025. The company undertakes no obligation to update any information discussed on today's call.

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During this call, we will be discussing certain financial measures that are not based on generally accepted accounting principles, also known as non-GAAP measures. Reconciliation of these non-GAAP measures on a historical basis to the most directly comparable GAAP measures and related definitions may be found on our earnings release, slide presentation and financial supplement. And finally, references to statutory results, including certain statutory-based measures used by management are preliminary due to the timing of the filing of the statutory statements.

And now I'll turn the call over to our CEO, Eric Steigerwalt.

Eric Steigerwalt - *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

Thank you, Dana, and good morning, everyone. Brighthouse Financial reported solid results in the first quarter of 2025. During the quarter, we made further progress against our focused business strategy, including delivering strong sales results in both annuities and life insurance. We also made additional progress against the capital-focused strategic initiatives that we announced last year and that we continue to execute.

We ended the quarter with holding company liquid assets of approximately $1 billion, maintaining a robust cash position. We also ended the quarter with an estimated combined risk-based capital or RBC ratio between 420% and 440%, which is within our target RBC ratio range of 400% to 450% in normal markets.

As we have said in the past, balance sheet strength is essential to support our distribution franchise. I am pleased with the progress that we have made against our capital focused strategic initiatives, which includes our ongoing work to simplify our variable annuity or VA and Shield hedging strategy.

As we discussed on our fourth-quarter earnings call, as of year-end 2024, we have fully transitioned to hedging Shield annuity new business on a stand-alone basis, an important milestone in simplifying our hedging strategy. In 2025, we have continued to revise our hedging strategy for both our in-force VA and our first-generation Shield book of business.

While the execution of our capital focused strategic initiatives continues, it is important to note that our focus on protecting our statutory balance sheet under adverse market scenarios remains unchanged.

Shifting to sales, as I mentioned earlier, we delivered strong sales results in the quarter. I'm especially pleased with the continued sales growth of our flagship Shield annuity product suite, which I will discuss in more detail in a moment. Also in the quarter, we continued to drive steady growth in sales of our life insurance products.

Our total annuity sales in the quarter were strong at approximately $2.3 billion. This includes approximately $2 billion in total Shield sales, which increased 3% sequentially and 5% compared with the first quarter of 2024. As we have said previously, last year, we launched updates to our Shield suite that are designed to help these products remain competitive and adapt to changes in the industry, and we remain proud to be a leader in the registered index-linked annuity marketplace.

While our total annuity sales were strong in the quarter, they were down 21% compared with the first quarter of 2024, primarily driven by lower sales of fixed annuities. Sequentially, annuity sales increased 1%. We're pleased to be one of the top annuity providers in the United States, and we continue to leverage the depth and breadth of our expertise, along with our strong distribution relationships to competitively position ourselves in the markets that we choose to compete in.

As I mentioned earlier, we continue to drive steady growth in sales of our life insurance product suite in the quarter. Life sales totaled $36 million, which is a 24% increase compared with the first quarter of 2024 and a 9% increase sequentially. As we have discussed previously, we have expanded into the institutional space with BlackRock's LifePath Paycheck, or LPP product, becoming available in defined contribution plans last year. Earlier this year, BlackRock announced that LPP is now live in six employer retirement plans, totaling $16 billion in assets under management.

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While inflows associated with LPP are expected to be uneven on a quarter-to-quarter basis as defined contribution plans implement the solution, we do expect to see additional flows in 2025. We remain very excited about LPP and its success to date and we expect our involvement with this product to enable Brighthouse to reach new customers through the worksite channel.

Turning to expenses, corporate expenses in the quarter were $239 million on a pretax basis, which was higher than our run rate expectation. It is important to note that this higher level of corporate expenses is nontrendable and we expect corporate expenses to normalize for the remainder of 2025.

Additionally, we remain focused on maintaining a disciplined approach to expense management which is an important aspect of our business strategy. Regarding capital return to shareholders. In the quarter, we continued to return capital through the repurchase of our common stock. We repurchased $59 million of our common stock in the quarter, with an additional $26 million repurchased through May 6. Before wrapping up, I would like to briefly touch on the current macro environment.

Brighthouse Financial has a proven track record of being able to navigate volatile markets and periods of uncertainty, and we believe that we are well positioned to navigate this current environment. We remain focused on our mission and strategy and on delivering for our partners, customers and shareholders.

To wrap up, we delivered a solid quarter to start the year, and I'm pleased with our progress as we continue to execute our business strategy. We continued to generate strong sales in both annuities and life insurance as well as support our distribution franchise through our strong balance sheet and robust liquidity position. In addition, we continue to make progress against our strategic initiatives, designed to improve capital efficiency, unlock capital and remain within our target combined RBC ratio range in normal markets.

I'll now turn the call over to Ed to discuss our first-quarter financial results.

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Thank you, Eric, and good morning, everyone. After the market closed yesterday, Brighthouse Financial reported results for the first quarter of 2025, including preliminary statutory results. Statutory combined total adjusted capital or TAC, was approximately $5.5 billion at March 31, compared with approximately $5.4 billion at December 31. The estimated combined risk-based capital or RBC ratio was between 420% and 440%, within our target range of 400% to 450% in normal market conditions. And normalized statutory earnings for the quarter were approximately $300 million.

Statutory results benefited from a 25 basis point increase in the prescribed 20-year treasury yield mean reversion point, which increased from 3.75% to 4%. Additionally, as Eric mentioned earlier, we continue to make progress on our capital focused strategic initiatives.

As we discussed on the fourth-quarter earnings call, as of year-end 2024, we fully transitioned to hedging new business for our Shield product suite on a stand-alone basis. We continue to develop a separate hedging strategy for our variable annuity and first-generation Shield annuity block of business. We expect to complete the transition to this revised strategy for this legacy block of business before year-end.

Importantly, we continue to focus on protecting our statutory balance sheet under adverse market scenarios. Holding company liquid assets are still substantial with approximately $1 billion at March 31. We think about our capital strength as a combination of the operating company's RBC ratio, holding company liquid assets and a conservative capital structure.

Now, turning to first-quarter adjusted earnings results, adjusted earnings for the quarter were $235 million, including an unfavorable notable item of $10 million, or $0.17 per share related to an actuarial model refinement. Adjusted earnings, excluding the impact from the notable item, were $245 million which compares with adjusted earnings on the same basis of $352 million in the fourth quarter of 2024 and $268 million in the first quarter of 2024. Adjusted earnings results, excluding the impact of the notable item, were approximately $15 million or $0.26 per share below our average quarterly run rate expectation.

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Alternative investment income was $39 million or approximately $0.66 below our quarterly average run rate expectation. The alternative investment portfolio yield in the quarter was 1.4%. As a reminder, we continue to expect a yield on this portfolio of 9% to 11% annually over the long term. Our underwriting margin was above our run rate expectation, which more than offset the impact from corporate expenses that were high relative to our quarterly run rate expectation. While the underwriting margin was higher versus our run rate expectation, it was lower sequentially, driven by normal fluctuations in the volume and severity of claims net of reinsurance.

Shifting to results by segment, the Annuity segment reported adjusted earnings less notable items of $324 million, which was relatively flat sequentially. The Life segment reported adjusted earnings of $9 million. Sequentially, results reflected a lower underwriting margin, lower net investment income and higher expenses. The Runoff segment had an adjusted loss of $64 million. Results reflected lower net investment income, partially offset by a higher underwriting margin sequentially. The Corporate and Other segment reported an adjusted loss of $24 million, which reflected higher expenses sequentially.

In closing, we are pleased with our first quarter results, particularly because statutory results were in line with our expectations. The estimated combined RBC ratio ended the quarter within our target range and we maintained a robust level of holding company liquid assets.

We will now turn the call over to the operator to begin the question-and-answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Wes Carmichael, Autonomous Research.

Wes Carmichael - *Autonomous Research - Analyst*

Hey, good morning, everybody. Sorry if I missed this one clarification, but, Ed, the 25 basis point increase in mean reversion point, could you quantify how much of benefit that was to normalize net earnings?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Sure. Wes, it was around $200 million.

Wes Carmichael - *Autonomous Research - Analyst*

Okay. I guess my second question on sales and fixed annuities. It's been a little bit softer the last couple of quarters. And I know you had some change in the reinsurance partner, but would you expect that to accelerate from here or is the competitive environment just not very attractive?

David Rosenbaum - *Brighthouse Financial Inc - Executive Vice President, Head of Product and Underwriting*

Wes, this is David. I'll start with that. So sales move around a bit, and you've seen that in our results for fixed annuities. The first quarter of last year 2024 was a big sales volume for us. And then the third quarter, as you mentioned, was also a solid quarter after we reestablished ourselves in the fixed market after we brought on a new reinsurance partner.

So when we think about this market, there's a lot of competition, as you mentioned. It is very rate dependent, and we're going to continue to monitor sales volumes and the competitive environment in conjunction with our reinsurance partners. And our goal here is to really have consistent

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competitive rates while maintaining our pricing discipline. So we are looking to build momentum to drive fixed sales over the remainder of the year.

Operator

John Barnidge, Piper Sandler.

John Barnidge - *Piper Sandler & Co. - Analyst*

Thank you very much for the opportunity. My question is on your outlook for flows and surrender activity this year. How are you thinking about that trending given the dynamic macro environment?

David Rosenbaum - *Brighthouse Financial Inc - Executive Vice President, Head of Product and Underwriting*

Yes. Thanks, John. So let me just start with the drivers that we've seen over the last five to six quarters continued in the first quarter of this year as expected. So outflows were modestly lower than the fourth quarter and up over the first quarter of last year, driven by VA and Shield outflows, but specifically full surrenders.

So when we think about 2025, we have a substantial amount of fixed rate annuities, particularly the three- and five-year coming out of surrender in the second half -- in 2025, but weighted to the second half of 2025. We continue to have more shield come out of surrender each month as you've seen, as we've had growing sales over the last few years. And then third, not surrender charge related, but we do continue to see outflows of our variable annuity block. So given these factors, I currently expect flows to be at the 2024 level or higher this year.

John Barnidge - *Piper Sandler & Co. - Analyst*

And my follow-up question, how do you think about the opportunity to better optimize your investment portfolio to be more competitive in the rival market?

John Rosenthal - *Brighthouse Financial Inc - Executive Vice President, Chief Investment Officer*

Hi, John, it's John. We're always thinking about ways to optimize the investment portfolio and the investment return. I can't give you any specifics but we're always working on it. So I think we're improving, but we're always working on it.

Operator

Elyse Greenspan, Wells Fargo.

Elyse Greenspan - *Wells Fargo Securities, LLC - Analyst*

My first question is just on the RBC move in the quarter. And I think the mean reversion change was probably something within the neighborhood of 25 basis points. So were there any other pushes and pulls within RBC, it seems like it might have been stable to slightly up, excluding the mean reversion change in the quarter.

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Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Good morning, Elyse, I think it's closer to 15 percentage points, the $200 million number that I cited, not 25 million.

Elyse Greenspan - *Wells Fargo Securities, LLC - Analyst*

Okay. So then anything else you would highlight within RBC away from that?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Sure. So we had some higher -- we had norm stat earnings beyond the $200 million. You see we said it was approximately $300 million. I've also talked in the past about the seasonality of the capital charges associated with our fixed business. So in the past, I had said you could think about maybe 20 RBC points a year from strain in total.

I would say that number is higher now than it was. And that's a good thing from the standpoint of we're writing business that we think is generating shareholder value. So we all know that strain is a fact of life in the life insurance industry. You have to put up capital when you write business and then you get the cash over time. So we do have more strain, I would say, than the 20 RBC points I've talked about in the past.

But we still have the seasonality impact that I've discussed, which is related to the business risk capital charge for fixed, the C4 charge, right? It comes in once a year and then -- I mean, over the course of a year, and then it's released and you start again in the new year. So you will see in the first quarter an impact from strain that's much more modest than what you would see in the subsequent quarters. So there is some benefit in the RBC from the seasonality of the capital charges.

Elyse Greenspan - *Wells Fargo Securities, LLC - Analyst*

And then my follow-up, in past quarters, you guys have spoken about actions to increase value. I think last quarter, you were talking about flow reinsurance, and there's been other actions mentioned. Can you just talk to -- talk about things that you guys are considering right now?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Sure. So we did talk about flow reinsurance. We continue to look at reinsurance options, including flow reinsurance. So that still is something that we are considering over time. I think the top priority today would be the simplification of our hedging strategy for our in-force VA and first-generation Shield business.

You've heard us talk about how beginning in July of last year, we started to hedge our new product suite, Shield 2.0 on a stand-alone basis. We extended that to the entire in-force block of our level pay plus Shield products and implemented the modeling associated with that in our financial -- in our actuarial modeling to realize the full benefit of that stand-alone hedging for new business.

And we've talked about modifying our strategy for this block of in-force VA and first-generation Shield. So an underlying goal of that effort is to simplify I would stress, though, that we continue to manage to protect our statutory balance sheet. Our hedging position is, again, maintaining that up to $500 million first loss tolerance that we've talked about. So we still have significant protection. It's not like a wholesale change in how we're managing the risk but it is an approach that we are taking to simplify how we're going to address this in-force VA and first-generation Shield block.

Operator

Suneet Kamath, Jefferies.

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Suneet Kamath - *Jefferies LLC - Analyst*

I think on the last call, Ed, you mentioned that you weren't expecting distributable earnings out of BLIC in '25. Is that still your expectation? And if that's the case, I guess, what changes in '26 to get the distributable earnings going again? Thanks.

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Good morning, Suneet, I recall on the last call that I said that our final financial plan, anticipated dividends over the three-year period from the operating companies. I don't remember a specific comment that I made about BLIC. And I guess I would just say, I'm not going to -- I wouldn't go beyond what I said last time, which is that our plan over the three-year period contemplates that we will take money up to the holding company we don't get into specifics about any annual forecast for statutory results.

Suneet Kamath - *Jefferies LLC - Analyst*

Got it. I thought you said something about starting next year, but I get the point that you're making. And I guess --

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Maybe I did. I don't -- it doesn't -- I didn't recall but perhaps I did, but I know my point was that I was trying to make a comment about the three-year outlook for cash flow from the operating companies.

Suneet Kamath - *Jefferies LLC - Analyst*

I got it. That's fine. And then I guess maybe a bigger question for Eric. If I look at your stock price at the end of '17, it was $58. If I look at where it is now, it's $58. So in seven-plus years were flat despite all the buybacks that you've done. And I guess, the question sort of like what I asked last time is, does it make sense to just be part of a larger organization where you can benefit from more capital and more diversification and all those sort of things versus being a stand-alone kind of annuity writer?

Eric Steigerwalt - *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

Good morning, Suneet, how are you? And look, my answer is going to be pretty much the same as last time, right? I think last time you commented on complexity as well. And look, every single day, we're dealing with whether it's complexity or capital generation or sales, et cetera, we're doing our jobs here. We've got a strategy that I think logically can produce shareholder value. And so we're just going to keep following that strategy, whether it's sort of from a BAU point of view or when we talk about some strategic initiatives that we have I talked about them last time.

I won't repeat them because I think Ed kind of listed some of them off from Elyse's question. But even in addition to what he said, there are other sort of value drivers that we can unlock over time. And it's our job to do that. So we're just going to keep doing what we're doing. We have bought back about roughly $2.5 billion of stock over the years. And our strategy -- with the inclusion of strategic initiatives from time to time is unchanged.

Operator

(Operator Instructions) Wilma Burdis, Raymond James.

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Wilma Burdis - *Raymond James & Associates, Inc. - Analyst*

You guys touched on this a little bit with Elyse's question, but could you just give us a little bit more detail on where you are with hedging the legacy block, where you're at right now, what steps you have left to complete? And then I know you kind of touched on this a little bit, but if you could just help me understand what you guys did in July with the new business versus year-end and just how the kind of new business hedging played out?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Sure, Wilma. Let me start with the second one first. So when I said stand-alone hedging, it means essentially you're buying a call spread and writing an out of the money put. And that is the option basket that creates the payout profile that matches the -- what you're guaranteeing the customer.

On the first question, we're not going to get into more detail about what we're doing. One of the -- I mean, the primary reason not to do that is we run a very large derivative book. We have a very large hedging program and we're not going to talk about things that we are working on and things that we will be doing that could be used to drive what actions we might be taking in the marketplace. That would not be in the interest of shareholders.

Operator

Ryan Krueger, KBW.

Ryan Krueger - *Keefe, Bruyette & Woods, Inc. - Analyst*

I guess just one more question on the changes you're making to the hedging strategy. I understand the simplification point. I guess I was just hoping to better understand like what is it -- like how do you expect the changes to -- from a practical standpoint to benefit the company going forward? Like what are the -- whatever the intended outcomes of what you're doing? And then are you making changes along the way or are you more studying what you want to do and then you're going to make all the changes at once later this year?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yes. So it is more the latter for your second question. So we will decide what we're going to do. We will then implement. So it is not a gradual approach.

It is more as you described. I would go back to your first question. I highlighted that an underlying goal here is simplification. So if we look at our block of business, historically, the approach we took managing this block of business with Shield and VA was driven by the capital benefits that we were achieving from writing Shield relative to the offset of VA. That had an inherent level of complexity that was more than tolerable, given the clear capital benefit that we were getting.

As we have now achieved what we have targeted since the separation, which is a balanced risk profile, between the VA block and our Shield block. We have decided that we would like to pivot away from complexity toward simplification. And so that is the overarching goal of what we're doing here.

Ryan Krueger - *Keefe, Bruyette & Woods, Inc. - Analyst*

Got it. And then are you able to give us any perspective on how the VA hedge program performed in the volatility of April?

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Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Sure. So there are -- we look at grids when we think about our up to $500 million max loss tolerance, and those grids have the equity market and interest rates on the axis. And if we look at our vertical for the equity market -- now again, this is a grid. There are obviously other things that happen in market environments. Basis risk, for example, is something you've heard us talk about in the past is one thing.

But if we look at our grid today and you think about this vertical of the down equity market, we show very little impact between zero and down 30. And we show an impact between down 30 to down 50 that is underneath that $500 million max loss.

Operator

Wilma Burdis, Raymond James.

Wilma Burdis - *Raymond James & Associates, Inc. - Analyst*

Could you just talk a little bit more about your share repurchase program and how it works, given it seems like you leaned in on buybacks in April when prices were low?

Eric Steigerwalt - *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

I'll start, if Ed wants to jump in, he can. In the first quarter, I think I laid this all out, but I'll just tell you again, we repurchased $59 million. In -- since then -- since the end of the first quarter through May 6, we repurchased another $26 million. And so we haven't -- you can look historically at what we've done. We haven't given any forward-looking guidance in quite a while.

So each time we're giving what we repurchased in the quarter and then up to close to the call date. That's what we did in the first quarter and then post the first quarter through May 6.

Operator

(Operator Instructions) Tom Gallagher, Evercore ISI.

Thomas Gallagher - *Evercore ISI - Analyst*

I guess first question is the -- was the $100 million to $150 million of, let's call it, normal capital generation excluding the mean reversion, was that more or less in line with your plan? Like did the hedges actually perform the way they were supposed to you on both the VA and the (inaudible) side this quarter within a certain tolerance?

And then I guess I'm a little surprised to hear you saying -- sounds like everything is being reevaluated from a hedging standpoint. You guys have been at this for a year. So is it like what's changed other than performance and about what you're seeing, is it you've done more work on the cash flow projections and now you're wanting to have better outcomes? Like why is it you're now reevaluating trying to simplify what you've been spending a lot of time on already? Just want to understand kind of what's going on behind the scenes.

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yes. So let me start with your first question. I think I said in my prepared remarks that results were in line with our expectations. And so I would just reiterate that again that the first quarter statutory results were close to what we thought they were going to be. And obviously, the performance of our hedge portfolio is a key component of that expectation.

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The second part of your question, I guess I would go back first to what I said to Ryan and second, in terms of the time line here, we started talking about hedging new business on a stand-alone basis on our third quarter earnings call. We talked about some additional steps on our fourth quarter call. And we have been talking about how we are working on what revised approach might make sense for this in-force VA and first-generation Shield given the size of the blocks now, given the fact that we have this more balanced risk profile than what we had seen historically.

So I don't know that it's -- I guess I would characterize it a little differently than what you have, which is this is not a surprise. We've been talking about this. It's not a wholesale change. I just described to you, for example, that we're very protected for what we believe were very protected for an adverse market environment, which has always been our overarching goal to protect the statutory balance sheet. So I wouldn't -- I wouldn't say that it's a -- it's a wholesale change. It's an approach that we think now makes sense given where we are in this current market environment with the current mix of business that we have.

Thomas Gallagher - *Evercore ISI - Analyst*

Okay. Appreciate that, Ed. So really, this isn't going back to the drawing board wanting to do something meaningfully different? Would you say it's not wanting to pigeonhole you to a sound bite, but not -- would you say the frameworks in place and this is going to be making some changes to it or is it possible there's going to be something more meaningful? I just want to make sure I'm fully understanding like what the message is.

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yes, this is not going back to the drawing board.

Operator

Alex Scott, Barclays.

Alex Scott - *Barclays - Analyst*

Maybe the first one for you, just on the cash flow projections you've given us over time, and I know you don't have any (inaudible) sort of officially out there right now. But I feel like there was a time where we expect these cash flows to like really inflect up over time. It seems to be getting pushed out. Is it just keep getting -- pushing -- is it getting pushed out? Or at this point, is it not reasonable to expect the cash flows would inflect up on the in-force block.

I'm just trying to understand that and if it's not, like what is it that's causing that? And like why wouldn't you need to adjust your balance sheet for that if it's not coming to fruition?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yes. Could you clarify -- Alex, could you clarify that last comment, you trailed off a little bit, adjust our balance sheet for what?

Alex Scott - *Barclays - Analyst*

Sure. I'm saying if you thought that eventually the reserves would release and you'd have more cash flow coming through and they're not, then do we need be concerned that if you don't find some strategic alternatives here that you would need to make a bigger adjustment to the statutory balance sheet, I guess, or the GAAP balance sheet, right, which I guess is more the GAAP balance sheet just given the GAAP equities, a heck is a lot higher than the stat. But I'm just trying to think about risk of -- risk around reserves, liability, valuation, whether GAAP or stat is -- there's no strategic alternatives. And if the cash flows really aren't inflecting upwards the way that you guys have kind of thought over the last few years?

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Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yes. So, Alex, there's a lot that you're talking about here. I mean -- I mean, look, we're not going to discuss cash flow projections prior to having cash flow projections. I mean, we have put them out. You can deduce what you would like from what we have put out in the past.

But as I've said over the years, this is a very significant effort to create those cash flows. And as I said on the last call, we have things that we're working on to make sure that we have the right positioning, like I just said, on this revision to how we're going to hedge this in-force VA first-generation Shield block before we would be putting out new projected cash flows.

So it's, number one, the priority of the people in the finance organization and elsewhere, to work on this simplification effort for the hedging strategy. And then after that, it would be to turn our attention to other things, which would include the cash flow projections. So clearly, we're in May right now, and you could probably deduce from my comments that the midyear target for releasing the long-term statutory free cash flow projections is no longer realistic.

I had suggested on the last quarter call that there was a chance it was slipping because of the other things we're focused on. And I would confirm now that we don't have an updated date for when we would do it. But I don't think we would continue to stick with the midyear that we had said to you in the past.

And so everything else that you're asking, I think you would have to think about what questions you would want to ask after you see the updated numbers because we're not going to go into discussions about cash flow projections that were put out, I guess, last September. Sorry, sorry, sorry, two Septembers ago.

Alex Scott - *Barclays - Analyst*

Got it. That's helpful. And thank you for entertaining the question. Maybe one that's much more on a positive note, we -- as much as we focus about the in-force, you all have talked about the growth opportunities. When you think across (inaudible), demographic changes, annuities and the potential for that to take a much bigger share of 401(k) assets over time.

I mean, how do you think about the value there and just what you can do with that if you had more capital flexibility? I mean, if Brighthouse had more capital flexibility, would it be a game changer for what you could do in terms of growth into some of those opportunities? And how big can these opportunities be?

Eric Steigerwalt - *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

I'll start and Myles or David might want to jump in. So far, we've been able to grow everywhere we want to. I don't think we said this, maybe I said it in my prepared remarks, I can't remember. But March was our highest (inaudible) RILA sales month ever. So I mean, we're growing well.

LifePath Paycheck, I think you mentioned, that's going to take some time, obviously. And I've said over and over that the flows will be intermittent. But we certainly expect more this year. And -- I and others think that the growth possibilities are fantastic potentially. We're not constrained there.

You do have to remember, right, as David said, I thought pretty eloquently, it's about growth. It's about our fabulous distributors. But it's also about pricing discipline. So we're constantly looking at that balance. And right now, I don't feel like we're constrained to grow.

We've never once -- I have never won some staring at miles here, told him, you can't sell. He's unconstrained, but we are going to run this company for profitable growth. David or Myles, do you want to add anything?

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Myles Lambert - *Brighthouse Financial Inc - Executive Vice President, Chief Distribution and Marketing Officer*

You nailed it , Eric.

Operator

Wes Carmichael, Autonomous Research.

Wes Carmichael - *Autonomous Research - Analyst*

I had a question on surrenders in the annuity business. And if I look at the AUM roll forward for VA and Shield, that surrender rate, maybe it's consistent quarter to quarter, but it's been picking up steam for quite some time. So just hoping you could talk a little bit about what you're seeing is that legacy VA, what types of products are surrendering here? And would you expect that pace to continue?

David Rosenbaum - *Brighthouse Financial Inc - Executive Vice President, Head of Product and Underwriting*

Yes. Thanks, Wes. So very similar remarks to John's question earlier. But the drivers that we've seen over the last five to six quarters continued in the first quarter of 2025. So we're seeing full surrenders of Shield and VA. And you think about Shield, we have more business coming out of the sort of intercharge period. Outflows are weighted to VA, continue to benefit from the outflows of the capital-intensive legacy blocks.

But given the volume of business that we've written, Shield is becoming a larger contributor to the outflows and from time to time, based on sales volumes, fixed annuities as well. So kind of where we think -- where I think about the flows for 2025, at the 2024 level or higher in 2025 is kind of the current expectation. And really, the difference year-over-year is more business from our fixed annuities coming out of surrender charge and that sort of weighted to the second half of the year.

Wes Carmichael - *Autonomous Research - Analyst*

Got it. That's helpful, David. And just last one. I think last quarter, there was a $100 million or so cash injection into BLIC from the parent. And as we move forward to this quarter, RBC has improved here.

I guess would you expect capital that's injected down there to stay down there? It seems like you've got a lot of liquidity at the holdco, but I guess in my mind, it always gives you a bit more flexibility if capital is at the top of the house.

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yeah, Wes, hey. I would just go back to what I said, I think, in response to Suneet's question, which is our three-year financial plan does contemplate dividends to the holding company.

Operator

Tom Gallagher, Evercore ISI.

Thomas Gallagher - *Evercore ISI - Analyst*

Thanks. Hey, Eric, just wanted to get your perspective. We obviously have had recent industry transactions that certainly matter for Brighthouse from a business mix standpoint on the private side. You had the met VA (inaudible) deal, you had the Lincoln partnership announcement with Bain. I'm sure you guys are paying close attention to those. Anything you read into those on, we'll call it, market pricing points as it relates to private

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public. And anything that informed you on your business risk market dynamics? Anything you can comment on either one of those or kind of in a broader sense, what do you think is happening from an industry standpoint?

Eric Steigerwalt - *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

Sure, Tom. So you're referring to the Bain-Lincoln transaction, I think, and then I think you mentioned the MetLife transaction. So maybe overall, look, you're right. And -- we've known each other for a long time. We look at everything.

We look in detail at everything. We're constantly tinkering with our strategy at the edges as any good management team would be doing. So the Bain-Lincoln transaction, I'm not really going to talk about it. I don't think it's my place to talk about it at all, but it's interesting. And it was opportunistic, I'm sure, on their part. And we look at transactions like that with an eye towards, okay, they are to the possible. Here's another transaction that we have to look about at and think about what could it possibly mean for Brighthouse in the future.

And then with respect to the VA transaction, look, I can't comment on any specifics, but I will tell you this. Certainly, again, your gut is always right on stuff like this, Tom. Obviously, we're looking at it. We've been looking at this kind of stuff for years and years. We have not done a transaction. We've done other reinsurance transactions, as you know.

But I would say one thing, this block of business isn't -- you can't logically draw a straight line to large blocks of business, right? So it doesn't really tell us anything with respect to our overall block of business.

It's a small piece, and therefore, even though at separation, which is now almost eight years ago, there were a lot of similarities between us and our former parent's blocks. Eight years has gone by, very different potentially surrender patterns, et cetera. And then, of course, this is just one block. So you can't extrapolate one block to an average of much larger blocks and really in any company's cases. However, of course, Tom, as now I've already said, we're looking at all these things.

And if -- and if they could potentially be an avenue down the road that we ought to go, then at some point, we could go there. I hope that's helpful to some degree.

Operator

Jimmy Bhullar, JPMorgan.

Jimmy Bhullar - *JPMorgan - Analyst*

So first, I had a question on the RBC ratio. I think, Ed, you mentioned that the mean reversion benefit was around 15 points on the RBC. I don't know if you quantified the benefit of the lower C4 charge a seasonal impact. Could you tell us what that was?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yes, Jimmy, I did not quantify it. But I would just say, like I've said in the past, I think the first quarter of maybe '23. I made a comment about this. There was a capital benefit in the first quarter because of the C4 release. And then you will have this business risk charge release.

And then you will have it come in as you write business over the course of the year. So while I have said that the strain. I used to say 20 RBC points, I'd say it's more than that now. The average you can take whatever that number is and divide by 4, but I'm telling you that the first quarter is generally going to be pretty insignificant from a strain standpoint. So you'll have more in the subsequent three quarters.

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Jimmy Bhullar - *JPMorgan - Analyst*

So -- and then I think in your -- in the past, your comments about 5 points a quarter and then that's coming back. It sort of implies that it would be a 5, maybe 10-point benefit. But if I'm not off by a lot, is it reasonable to assume that your RBC could drop in 2Q as -- at least that tailwind goes away. Obviously, the main reversion tailwind goes away, assuming normal hedging results, assuming normal statutory results outside of hedging?

Edward Spehar - *Brighthouse Financial Inc - Chief Financial Officer, Executive Vice President*

Yes. So, Jimmy, I guess -- I mean, I said we don't give annual RBC forecast. So I'm certainly not going to get into quarterly RBC forecast, sorry.

Jimmy Bhullar - *JPMorgan - Analyst*

And then just on the strategic initiatives that you're thinking about. It seems like capital is not a constraint for growth. So is the reason that you thought of doing things and some of the actions that you've already taken more to just to improve your capital cushion on the balance sheet from a sort of balance sheet standpoint as opposed to accelerating growth. Is that a fair point?

Eric Steigerwalt - *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

Well, we're [dueling] buttons here, Jimmy. Look, we're trying to unlock capital all the time. and we're going to continue to do that. It helps you eventually remain unconstrained from a growth point of view. So you've seen some of the ones that we've already executed on and you should expect us to be looking at other things as well.

I want to try to stay ahead of the curve so that we can remain, as I already said, unconstrained from a growth perspective, both on the retail side and on the institutional side.

Jimmy Bhullar - *JPMorgan - Analyst*

And just lastly, if you look at your valuation, obviously, the market is concerned about your capital and hedges and other results. You've been buying back stock, which implies that you're comfortable with how things are and you're willing to let capital out the door to buy stock at a reasonable price. So for a company that's buying back stock and has been buying back very actively over the past several years, considering the sale at such a low multiple would seem odd unless there was a need for capital and sort of a dire need for capital? Otherwise, you're capitalizing your business at a relatively low valuation. So what are your views on that?

Because I can understand the logic of someone -- having somebody come in and take a small stake and give you a little bit of more cushion. But exploring the sale of an entire company at a multiple that's so low where you're actively -- so actively buying back stock seems a little odd, unless you really need the money.

Eric Steigerwalt - *Brighthouse Financial Inc - President, Chief Executive Officer, Director*

Jimmy, it's Eric. Look, I mean, I've already commented now a couple of times during the call with respect to the fact that we have not been constrained with respect to growth since the beginning. And then I'm going to assume that you're asking about some reports in the press. And I'm just going to say, we don't comment on market rumors or speculation, so I'm just going to leave it at that.

Operator

And I'm showing no further questions at this time. And I would like to hand the conference back over to Dana Amante for closing remarks.

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Dana Amante - *Brighthouse Financial Inc - Head of Investor Relations*

Thank you, Michelle, and thank you, everyone, for joining the call today. Have a great day.

Operator

This does conclude today's conference call. Thank you for participating, and you may now disconnect.

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