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BHF.OQ - Q1 2019 Brighthouse Financial Inc Earnings Call

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OVERVIEW:

Co. reported 1Q19 adjusted earnings (excluding impact from notable items) of $259m.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Brighthouse Financial First Quarter 2019 Earnings Conference Call. My name is Sonia, and I will be your coordinator today. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes. (Operator Instructions) .

I would now like to turn the presentation over to David Rosenbaum, Head of Investor Relations. Mr. Rosenbaum, you may proceed.

David Rosenbaum - *Brighthouse Financial, Inc. - Head of IR*

Thank you, Sonja. Good morning, and thank you for joining Brighthouse Financial's first quarter 2019 earnings call. Our earnings release, presentation and financial supplement were released last night and can be accessed on the Investor Relations section of our website at brighthousefinancial.com. We encourage you to review all of these materials, and we will refer to the slide presentation in our prepared remarks.

Today, you will hear from Eric Steigerwalt, our President and Chief Executive Officer; followed by Conor Murphy, our Chief Operating Officer and Interim Chief Financial Officer. Following our prepared comments, we will open up the call up for a question-and-answer period.

Also here with us today to participate in the discussion are John Rosenthal, Chief Investment Officer; and Myles Lambert, Chief Distribution and Marketing Officer.

Our discussion during this call will 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, including those described from time to time in Brighthouse Financial's filing with the U.S. Securities and Exchange Commission.

Information discussed on today's call speaks only as of today, May 7, 2019. The company undertakes no obligation to update any information discussed on today's call.

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. Reconciliations of these non-GAAP measures on a historical basis to the most directly comparable GAAP measures and related definitions may be found on the Investor Relations portion of our website, in our earnings release, slide presentation or financial supplement. And finally, references to statutory results 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 Thomas Steigerwalt - *Brighthouse Financial, Inc. - President, CEO & Director*

Thank you, David, and good morning, everyone. Brighthouse delivered solid results during the first quarter of 2019. Equity markets were strong and favorably impacted both adjusted earnings and capital generation during the quarter.

Investment income from alternative investments was lower, as expected, given fourth quarter market performance. Claims were higher in life insurance due to lower reinsurance recoveries, but within normal quarterly variation. Sales remained very strong, and we continue to reposition the investment portfolio and manage expenses.

Moving forward, we remain focused on executing our strategy, which we continue to believe will generate long-term shareholder value. As we have previously disclosed, one of our goals is to be a consistent returner of capital over time and we are making progress towards achieving this goal. We repurchased approximately $52 million of our stock in the first quarter and we've continued repurchases in the second quarter of 2019, with approximately $14 million of our stock repurchased in April. Through April, we have purchased $171 million of our stock under the $200 million authorization announced in August of 2018. Last night, we announced that the company authorized the repurchase of an additional $400 million of our common stock. This brings our cumulative authorizations to $600 million, 40% of the way towards our target of returning $1.5 billion to our shareholders through 2021. We currently anticipate fully utilizing this authorization, within the next 12 months, but we will continue to be measured in our approach to repurchasing stock. We believe we have multiple levers to achieve the remainder of our capital return target. First, we are prudently managing the capital backing our variable annuity block. During the quarter, we completed a successful preferred stock offering, the net proceeds were contributed to Brighthouse Life Insurance Company, or BLIC and this higher level of assets puts us in an even better position to reduce hedging costs over time. Although BLIC has ordinary dividend capacity in 2019, we're currently planning for regular dividends to the holding company from BLIC to begin in 2020, post the implementation of variable annuity capital reform in our statutory financials. As we have said before, this will be an important milestone for the company.

Second, as we have said previously, our reinsurance subsidiary, Brighthouse Reinsurance Company of Delaware, is robustly capitalized. We believe there is redundancy in the reserves and thus the possibility that, over time, excess capital could be released. We are beginning conversations on this topic with our regulator in the coming months.

Third, the New England Life Insurance Company, or NELICO, has been, and we anticipate will continue to be, a stable source of capital for the holding company. As you may recall, during the fourth quarter, NELICO paid a dividend to the holding company of $400 million. Additionally, NELICO's 2019 ordinary dividend capacity is over $100 million. We intend to dividend this amount to the holding company later this year. Our ability to take out capital from NELICO was an important factor in determining our new stock repurchase authorization. We expect NELICO will continue to generate $60 million to $70 million of dividend capacity per year over the next several years.

And finally, we currently have excess capital at the holding company. As a reminder, our goal is to have liquid assets at the holding company of at least 2x our annual fixed charges. And as of the first quarter 2019, we're well in excess of our target.

Before I provide a few perspectives on our first quarter results, I wanted to update you on our CFO search. There's a lot of interest in this role. We have begun the interview process, and I would like to have this role filled in advance of our second quarter earnings call.

Turning to first quarter results. Our key highlights for the quarter are summarized on Slide 3 of our earnings presentation. First, I'm very pleased with our outstanding sales results in the first quarter. We had approximately $1.7 billion of annuity sales, our highest quarterly sales results since becoming an independent public company in 2017.

Annuity sales were up 36% in the first quarter compared to the same period in 2018. In February, we launched our new hybrid life insurance product, Brighthouse SmartCare. This launch marked our first life insurance product introduction since becoming an independent public company and is part of our strategy to reestablish a competitive presence in the U.S. life insurance market. This product builds on our foundation of experience and knowledge in the life insurance space as we enter the expanding hybrid market. The early feedback from our distribution partners has been extremely positive. We intend to roll out this product to additional distributors throughout the year.

Second, we are continuing to make necessary investments in our technology infrastructure and in our businesses. We refer to these investments as establishment costs. In the first quarter, establishment costs were approximately $34 million pretax. We still expect establishment costs of approximately $175 million to $200 million pretax, cumulatively during 2019 and 2020.

Third, let me touch on our earnings results. Adjusted earnings, less notable items, improved sequentially, driven by the strong equity market performance in the quarter. This positive impact was partially offset by the lower investment income from our alternative investment portfolio, which was in line with our expectations, given the unfavorable equity markets in the fourth quarter of 2018 as well as higher claims due to lower reinsurance recoveries in life insurance in the quarter.

And finally, we continue to prudently manage our variable annuity capitalization. As we have talked about previously, we are managing our VA business to CTE98 or higher. As of the end of the first quarter, our VA assets were $1.1 billion in excess of CTE98, consistent with our strategy. Our hedging strategy continues to perform in line with our expectations.

To wrap up, we had solid results this quarter, and we are very excited about the new stock repurchase authorization and the value that it creates for shareholders.

Moving forward, we continue to remain focused on executing our strategy and continue to believe that it will enable us to achieve our longer-term financial targets.

With that, let me turn the call over to Conor to discuss our first quarter financial results in more detail. Conor?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Thank you, Eric, and good morning, everyone. I will start with our first quarter results, presented on Slide 4, and then provide some perspectives on the key drivers for the quarter and our hedging and balance sheet position.

Adjusted earnings, excluding the impact from notable items, were $259 million in the quarter compared with adjusted earnings on the same basis of $199 million in the fourth quarter of 2018 and $288 million in the first quarter of 2018. Adjusted earnings in the Annuities segment were strong, while results in life and runoff were lower sequentially. There was one notable item in the quarter of $27 million after-tax related to establishment costs.

Now I would like to provide more perspective on the underlying drivers of the results. Overall, the strong equity market performance in the first quarter favorably impacted adjusted earnings results. This was partially offset by lower net investment income, mainly driven by alternative investment results, due to the equity market decline in the fourth quarter of 2018 and higher claims due to lower reinsurance recoveries in life insurance.

The market rebound in the first quarter resulted in a favorable impact to adjusted earnings of approximately $70 million after tax or approximately $0.60 per share. The positive market impact is reflected through lower DAC amortization and SOP reserves. While the first quarter equity markets had a positive impact on fees, overall, first quarter fees were lower sequentially, driven by lower beginning separate account balances due to the challenging market conditions in the fourth quarter, coupled with fewer processing days in the first quarter.

Variable annuity separate account balances ended the quarter at $98 billion, up from $92 billion at year-end 2018.

Next, our net investment income was lower sequentially, driven by alternative investment income, which broke even in the quarter. This was in line with our expectations and down $40 million sequentially post tax. As is typical, alternative investment income is reported on a 1 quarter lag. Given the favorable first quarter market performance, we expect alternative investment income to be higher in the second quarter of 2019. The negative impact on net investment income from alternative was partially offset by gains from asset growth and the ongoing repositioning of the investment portfolio. Through the first quarter of 2019, we have repositioned approximately $6.9 billion of treasuries into a diversified mix of high-quality spread assets, putting us approximately 90% of the way towards completion of the repositioning program.

Another key driver of adjusted earnings results in the first quarter was our life insurance claims experience. Sequentially, we saw higher claims, driven by lower reinsurance recoveries. However, claims experience was within normal quarterly fluctuations.

Lastly, our corporate expenses in the first quarter were $225 million, down approximately $8 million pretax sequentially, consistent with our expectations. We anticipate full year 2019 corporate expenses to be in line with or slightly below the 2018 full year level as we continue the transition to the Brighthouse operating platform. We are still projecting a $150 million of corporate expense reduction on a run-rate basis by year-end 2020 and an additional $25 million in 2021.

Now turning to adjusted earnings at the segment level, which excludes the previously mentioned notable items. Adjusted earnings in the Annuities segment were $295 million in the quarter. Sequentially, results were favorably impacted by the first quarter rise in equity markets, resulting in lower DAC amortization and SOP reserves, along with an increase in net investment income. This was partially offset by a decrease in fee income from lower beginning separate account balances and fewer processing days, as I discussed earlier.

Total annuity flows improved sequentially, despite the fact that the first quarter captured remnants of the outflow of a 10-year old block of fixed annuity business that reached the end of its surrender period in the fourth quarter of 2018.

Adjusted earnings in the Life segment were $25 million in the quarter. Sequentially, results were unfavorably impacted by higher claims, due to lower insurance recoveries, along with lower returns from alternative investments. This was partially offset by lower DAC amortization, related to the positive market performance in the first quarter.

The adjusted loss in the Runoff segment was $36 million in the quarter. Sequentially, results here were unfavorably impacted by lower alternative investment returns. Corporate and Other had an adjusted loss of $25 million. Sequentially, expenses were lower, partially offset by a tax benefit in the fourth quarter of 2018 that did not recur.

Before closing, I would like to provide a few updates on our variable annuity hedging and balance sheet position as of March 31, 2019. Firstly, our variable annuity block had $1.1 billion of assets, in excess of CTE98, and our hedging strategy is performing in line with expectations. Balance sheet results, both on a GAAP and CTE98 basis were in line with sensitivities shared in our 2018 Form 10-K.

Secondly, we completed a successful $425 million preferred stock issuance during the quarter. The net proceeds were contributed to Brighthouse Life Insurance Company, and we believe this puts us in a better position to lower our hedging costs over time.

Additionally, total adjusted capital was $6.3 billion, down approximately $1.1 billion from the prior quarter. This reflects the existing variable annuity reserve requirements driven by the standard scenario, which are less sensitive to market movements than our CTE hedging target. We intend to adopt NAIC VA reform for statutory reporting by year-end 2019, which will remove the existing standards scenario requirements. Also, our average leverage ratio was approximately 24% at the end of the first quarter. And as a reminder, we have no outstanding debt maturities until 2024. And finally, our holding company liquid assets were approximately $1.1 billion at the end of the first quarter.

With that, we'd like to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Ryan Krueger of KBW.

Ryan Joel Krueger - *Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research*

Can you give any perspective on how much redundant reserves you think you may have and be able to release in the captive entity? And also, any thoughts on the process around how long it may take to negotiate with regulators?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Ryan, thank you for your question. We've talked about our captive and our expectation of having redundant reserves there over the last few months. Those conversations with our regulator are really planned for this summer. So any expectations we have would be following those conversations and following the adoption -- the full adoption of VA reform later in the year. We haven't quantified it for you, but it is something that we're going to be focusing on through the rest of 2019.

Ryan Joel Krueger - *Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research*

And then it seemed like life claims is sort of a little bit elevated in the quarter. Can you size that at all just relative to your baseline expectation?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Yes. You're right, they were a little, I would say claims were little elevated in -- across life, both in the Life segment and in the Run-off segment. I'm sure we'll get into this as well. Both of those segments were also impacted by lower alternative returns. So within the Life segment it's probably a little more to do with the mortality, not so much the level of claims. We had a little bit of an elevated claims frequency, but not severity. It's more to do with the level of reinsurance was lower than our average run rate, and that can happen. That's just circumstantial based on the actual individuals affected in the quarter. But I would underline, again, that it was within the sort of expected range of mortality. It was a little less impactful in Runoff. But in Runoff, had really more of an impact from the lower alternative returns. So perhaps not terribly different from prior quarter, but still a little bit elevated from where we would have expected the average level to be.

Operator

And our next question comes from Suneet Kamath of Citi.

Suneet Laxman L. Kamath - *Citigroup Inc, Research Division - MD*

I wanted to start with the VA capital generation. As we think about the buffer building over time, it seems like a fair amount of the increase has come from capital infusions or repurposing of assets. So just wanted to get a sense of when does the VA business start to build capital organically? What are your expectations there?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Well -- so thank you, Suneet. There are a few elements to that. So yes, we've contributed some capital over time into the VA business. And that was really -- as we expected, beginning back in 2017 and we were separate. But I would argue that's in line and probably actually a little less than what we might have expected over time. In terms of the generation of the business, we -- I would say, we're very much in line with our expectations. Even in this quarter, we generated approximately $300 million of normalized spot earnings this quarter. So I'm sure we'll get into our new authorization. But that authorization is really more aligned to the -- to what we took out of NELICO last year. But going forward, we're feeling very comfortable with the distributor learnings, generation power and capabilities within the VA block. We don't anticipate contributing more assets there. Clearly, we've been able to help fund the hedging program. We're very comfortable with how the program is working. We're very comfortable with where we ended up the quarter in terms of our excess months above CTE98.

Suneet Laxman L. Kamath - *Citigroup Inc, Research Division - MD*

Got it. And then if we think about capital return, the $1.5 billion, I believe in the past you've said that was about predicated on your base case macro assumptions, which I think at least in terms of interest rates assume a higher level of rates than what the forward curve is currently implying. So if rates stay sort of where they are, so if they don't pick up to the [4.25] over 10 years, you still feel confident in $1.5 billion of capital deployment guidance that you've given?

Eric Thomas Steigerwalt - *Brighthouse Financial, Inc. - President, CEO & Director*

Suneet, this is Eric. Yes, we do. I said in my prepared remarks that we have numerous levers. Whether it's dividend from NELICO, whether it's BRCD, whether it's even just holding company cash levels now that move us into the back end of 2019. We're forced as many companies -- you got to pick some scenario, right? Something has to be sort of the base case, and so you know what those numbers are. But in direct answer to your question, yes, I feel at this point, that we're comfortable with and are not changing our target for capital return.

Operator

(Operator Instructions) And our next question comes from Humphrey Lee of Dowling & Partners.

Humphrey Lee - *Dowling & Partners Securities, LLC - Research Analyst*

Looking at your VA surrenders and withdrawals, it looked better this quarter relative to where you've been running in the past, and that definitely helped your net flows number. But I'm just wondering how should we think about net flows in general, but also specifically on the surrenders and withdrawals going forward? Do you feel like the $2.4 billion this quarter versus $2.8 billion in the past is sustainable?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Thanks, Humphrey. Yes, let me say a few things, and we've begun to talk about this increasingly over the calls. We feel great about the progress that we've been making in terms of the new business for Brighthouse. You are seeing a -- definitely not just a reduction in the withdrawals, but an increase in the sales as well. And I'll let Myles add some color in a moment. But certainly, in terms of the annuity business, you can see across both the variable and fixed. We have significant improvement, about 34% improvement year-over-year and 38% sequentially in terms of the net number. So you're seeing withdrawals come down. To be honest, this has been happening for a while, it was just a little clouded last quarter. If you remember, on the fixed side, we had a block of 10-year old fixed business that was coming out of surrender, which is why the net flows progress, if you will, on the fixed account value wasn't evident so much last quarter and even this quarter I would say that numbers a little elevated. So on the fixed, I'd say we're really much more to a neutral number. But on the variable, yes, we're seeing a decline below the $1 billion a month mark for the Annuity business going forward. And obviously, an increase in the business that we're writing, which I'm going to ask Myles to give a little color on as well.

Myles Joseph Lambert - *Brighthouse Financial, Inc. - Executive VP and Chief Distribution & Marketing Officer*

Yes. Thank you, Conor. So our expectations are that the majority of our flows throughout this year will come from our suite of index products, our FIA solution and Shield. But obviously, that can change with market conditions. But I think, as you think about our business moving forward, as it relates to new sales we're pretty confident that most of our flows will come from FIA and Shield.

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

And Humphrey then, let me add one thing because the last couple of quarters, I've been adding some colors as well. In terms of the outflows, we consider whether those outflows are what you might term as good outflows for us versus outflows to be quite happy had we been able to retain them. A lot of that is really based on the level of capital required or the capital intensiveness of the business. And we would characterize this quarter's outflows -- the growth outflows at being about 35% to 40% of them as being good outflows from the perspective of Brighthouse and Brighthouse's balance sheet.

Humphrey Lee - *Dowling & Partners Securities, LLC - Research Analyst*

Got it. And then moving -- shifting gear to your VA deductible provision. I think you ended the year at $1.2 billion range. With the capital contribution this quarter, where do you stand in terms of that VA deductible level? And -- or was that compared to -- and then are you still targeting $2 billion as you look at where you want to be?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Yes. So broadly speaking, yes. We are -- we have been operating at that level, but we highlighted at year-end at about $1.2 billion. You know, obviously, we -- the underlying objective is to ensure that we protect the CTE95 level. So yes, we have more flexibility now that we've been able to cut the proceeds of the preferred in. But if you think about it, it may be in a couple of ways, there are a lot of ways that we can accomplish this. We're currently sitting at 1.1 above CTE98. So even if we were to require or use the $1.2 billion, we would still be almost exactly at [98]. So we have a great flexibility there, which we are very happy with. And other way to think about this may be that might just be a simpler perspective is we were -- really 98 would be what we might consider a AA level of capital and [95] might be a single A level of capital. So we're comfortably above that AA mark. Using the current amount, we'd still likely keep this at a AA. But we're going to protect the single A in the extreme scenario. So really with how effectively the hedging program continues to work and our ability to participate in the upside and the spot earnings that we -- the normalized spot earnings that we generate in the quarter everything is working really very much in line with how we expected it to.

Operator

And our next question comes Alex Scott of Goldman Sachs.

Taylor Alexander Scott - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

First question I had was just on the [vasney] impact. I know you're probably not ready to talk about a book -- transition book value impact and specifics like that. But I guess, just thinking more high-level, could you comment on how you might plan to deal with or approach increased volatility in the future? Is it sort of just remain at the current course in terms of strategy? Or would you potentially look at reinsurance. Any changes to the hedging strategy, like does this change anything in the way that you plan to manage the business?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Thank you. So it's a fair question, but it's really just too early to tell. If I could maybe underscore a couple of things, remember, we manage the company and the -- our ability and capability to continue to distribute to shareholders on a statutory basis and even within that on a CTE basis with a view to the full adoption of VA reform. So there's really -- there's nothing with respect to the long-duration contract accounting that we see, that's going to really -- that's going to impact our ability to return capital to shareholders or to reach our $1.5 billion capital return target towards 2021. I know this question has come up a little bit on some of the other calls. And of course, we're doing our work and we're working through the operational elements of this. But it's going to be a while before we're going to be able to speak to the implications. But I would say as maybe some of peers have talked about as well, we're going to be same Brighthouse after the long-duration contract accounting is adopted as we are today.

Taylor Alexander Scott - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. And my follow-up question I had was on the Annuities segment. It looked like net investment income yield ticked up pretty significantly, and I know you are going through some reallocation. But I think it went up over 470 basis points. Do you think -- is that a good run rate or is there anything in that number that I should be thinking about as we head into the second quarter?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Well -- a couple of things, but yes, in terms of the relative performance of the segments, if you will, Annuities has had a stronger quarter perhaps compared with expectations and Life and Runoff a little less. And yes, annuity is a beneficiary of the bulk of the favorable market that we talked about or that we highlighted in our deck. But it has high recurring NII. So you're seeing the benefits of a couple of things here. You're seeing the growth of Shield is showing up here, but you're also seeing the benefits of the portfolio repositioning. We talked about that -- well, we highlighted it a lot last year at Investor Day. And much of that portfolio repositioning has been completed, north of 90% at this date. So you are -- but annuities too, it had favorable market. It had lower asset-base fees, that was a bit of an offset as well. But yes, it did outperform a little bit because it is seeing more of the benefit of that portfolio repositioning that we've been talking about.

Operator

(Operator Instructions) Our next question comes from Tom Gallagher of Evercore.

Unidentified Analyst

This is Costa on for Tom. I guess just a follow-up on Alex's question. For the NII in annuities, is it fair to assume that, that's going to come down going forward or stay around this level? Can you just talk about what your expectations are there? And then as a follow-up to that, how much of a -- could you just frame the -- like difference -- impacts -- or the different benefits between Shield and the repositioning in terms of a sequential increase?

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Okay. Well, let me help you out a little bit here, Costa. Thank you for your question. How I would think about annuity is a little in terms of -- I think you're already kind of getting at maybe a bit more of a run rate question. And so you should -- I would acknowledge that, yes, we had higher -- the favorable market was a good guy, if you will. But as you think about it going forward, remember that you would have -- the ongoing fee implications will improve annuities next quarter. And we mentioned that on the call about just the number of days impact on the fees. So those are going to be offsets to what you would kind of consider the annuity run rate going forward. Then the other element that's probably worth mentioning is we highlighted the relative underperformance in the old portfolio. But as I mentioned earlier, really the underperformance compared with what we might consider to be our expectations is really concentrated wholly in Life and Runoff. We do have a small allocation of (inaudible) to the annuity portfolio, and they actually did perform in line with expectation. So that should continue or something -- obviously, that can be a little volatile, but that should, broadly speaking, continue in the forthcoming quarters as well.

Operator

And we do have a follow-up question from Alex Scott of Goldman Sachs.

Taylor Alexander Scott - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I guess I just wanted to go to NELICO and the dividend capacity that you mentioned. Could you help me understand why the dividend capacity is so strong out of that entity? I guess just looking at year-end statutory balance sheet, the surplus looks like it's only around $200 million. So I guess

I'm surprised that how much you expect to be able to consistently take out of that over the next several years. If you have any color there, that would be helpful.

Conor Ernan Murphy - *Brighthouse Financial, Inc. - Executive VP, COO & Interim CFO*

Okay. Well, in terms of the capacity at year-end for the case of $131 million after, obviously, having taken out $400 million. The way that I would think about NELICO is the expectation -- NELICO, remember, it's a closed block of business, it's not writing any new business. Therefore, it's a lot less sensitive to the vagaries of the market. And our expectation is that on an annual run-rate basis it will continue to generate maybe a little average around $75 million or $80 million that might fluctuate between kind of $60 million and $100 million. But it'll likely to continue to do that for many years to come.

Operator

Thank you. And ladies and gentlemen, I would now like to turn the call back over to Mr. Rosenbaum for closing remarks.

David Rosenbaum - *Brighthouse Financial, Inc. - Head of IR*

Thank you, and thank you for joining us today for our first quarter earnings conference call and for your questions and interest in Brighthouse Financial. And we look forward to speaking again next quarter. Thank you.

Operator

Well, ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.
