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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Brighthouse Financial Fourth Quarter and Full Year 2023 Earnings Conference Call. My name is Olivia, and I will be your coordinator today. (Operator Instructions) As a reminder, this conference is being recorded for replay process. I would now like to turn the presentation over to Dana Amante, Head of Investor Relations. Miss Amante, you may proceed.

Dana Amante - *Brighthouse Financial, Inc. - Head of IR*

Thank you, and good morning. Welcome to Brighthouse Financial's Fourth Quarter and Full Year 2023 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, February 13, 2024. 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 in 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 Thomas Steigerwalt - *Brighthouse Financial, Inc. - President, CEO & Director*

Thank you, Dana, and good morning, everyone. Looking back on 2023, I'm proud of the progress we made as we continue to execute on our strategic priorities. We bought back a substantial amount of common stock, delivered strong sales results, enhanced and grew our core product suite and nicely controlled expenses, all while maintaining our strong balance sheet and robust liquidity.

We continue to return capital to shareholders through the company's common stock purchase program. For the full year 2023, we repurchased $250 million of our common stock, reducing shares outstanding relative to year-end 2022 by approximately 7%, further demonstrating our ongoing commitment to return capital to our shareholders over time. In November, we announced a new share repurchase authorization of up to an additional $750 million. We delivered strong sales results and further strengthened our annuity and life insurance product portfolios.

For full year 2023, total annuity sales were $10.6 billion, and total life insurance sales were $102 million, both of which exceeded our 2023 targets. Contributing to the strong total annuity sales results for the full year 2023 was a record sales year for our flagship Shield Level annuity products. Shield sales totaled $6.9 billion, an increase of 17% on a full-year basis. Sales of our fixed rate annuities were also a strong contributor to the overall annuity sales totaling $2.7 billion down from $3.7 billion in total fixed rate annuity sales in 2022. As I mentioned, in 2023, we continue to strengthen our annuity and life insurance product portfolios.

In May, we introduced new enhancements to our Shield Level annuities product suite as we continue to be a leader in the buffered annuity marketplace that we help to create. In November, we launched Brighthouse secure key fixed indexed annuities, expanding our distribution footprint in the fixed indexed annuity market. And we also expanded our life insurance suite with the launch of Brighthouse SmartGuard Plus, our first registered index-linked universal life insurance policy.

Turning to expenses. We recognize that being a low-cost producer is a great way to a sustainable competitive advantage in this industry. Efficiency gains are what will allow us to consistently offer competitive products in the marketplace, while also generating an appropriate return for shareholders. Our focus on controlling expenses was illustrated in 2023, with full year corporate expenses up only 2% to $885 million, that's a pretax number in an environment with core inflation of approximately 4%.

Finally, we continued to focus on maintaining the strength of our balance sheet, and ended the year with an estimated combined risk-based capital or RBC ratio of approximately 420% and liquid assets at the holding company of $1.3 billion. The composition of the RBC ratio has changed, largely driven by the implementation of a new statutory requirement to reflect the effects of all anticipated future hedging on our variable annuity or VA reserves and required capital. The implementation of this new requirement had a favorable impact on our required capital, with an offsetting increase in statutory reserves.

So while our total combined adjusted capital or TAC declined to $6.3 billion as of year-end 2023, there was an insignificant impact to our RBC ratio. Ed will discuss our preliminary statutory results and the new statutory requirement in more detail in a moment. But I want to highlight that our overall risk management strategy remains unchanged, and we do not anticipate that this new statutory requirement will have a material impact on our long-term statutory free cash flows.

Before turning the call over to Ed to discuss our fourth quarter financial results, I'd like to touch just for a moment on our priorities for 2024. First, we will continue to strengthen our product suite and leverage the depth and breadth of our expertise, along with our strong distribution relationships to competitively position ourselves in the markets we choose to compete in. We believe that this combination will lead to continue growth in Shield sales and expanded presence in the fixed indexed annuity market and the first dollar contributions into our worksite product offering in partnership with BlackRock.

We remain very excited about our expanded relationship with BlackRock to deliver BlackRock's LifePath Paycheck. They are working with 14 plan sponsors at this point to implement this product offering. These 14 plan sponsors totaled $27 billion in target date fund assets and include more than 500,000 individual employees. Initial planned sponsor funding is expected to occur this year. Second, we intend to continue to manage our expenses with the expectation that our corporate expenses will be down in 2024 versus 2023.

Finally, balance sheet strength always remains a key priority and we believe that our strong RBC ratio and substantial holding company cash position will allow us to continue to return capital to shareholders. I'm proud of all that we achieved in 2023 and look forward to 2024 as the Brighthouse Financial franchise continues to grow and evolve to a more diversified company. And with that, I'll turn the call over to Ed to discuss our fourth quarter financial results.

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Thank you, Eric, and good morning, everyone. I am pleased with our results in the fourth quarter and for the full year 2023. Our estimated combined risk-based capital or RBC ratio increased approximately 10 points sequentially to 420%, even after $350 million in subsidiary dividends paid to the holding company in the fourth quarter. And the subsidiary dividends explained the sequential increase in holding company liquid assets to $1.3 billion at year-end. Liquid assets at the holding company increased from $1 billion at year-end 2022, even though we repurchased $250 million of stock in 2023.

As Eric touched on earlier, our preliminary statutory results as of year-end 2023 reflect the impact of a new statutory requirement which mandates that life insurers reflect all anticipated future hedging in variable annuity reserves and capital. There are 3 things that I believe are important to highlight related to this new statutory requirement. First, our total asset requirement at CTE98 was reduced by $1.14 billion because we now include the benefits from all anticipated future hedging. As a reminder, CTE98 is a conditional tail expectation that is the average of the worst 2% of capital market scenarios for the company.

There is a substantial decrease in the total asset requirement at CTE98 from this new requirement because we now reflect the benefit of hedging over the life of the block of business versus previously only reflecting the benefit from existing hedges. Second, inclusion of all anticipated future hedges increased our total asset requirement at CTE70 by $870 million. And this translated to an equivalent increase in reserves, reducing combined total adjusted capital or TAC. CTE70 is a Conditional Tail Expectation that is the average of the worst 30% of capital market scenarios for the company.

Given that we are hedging to protect CTE98 which is a more conservative calculation. It is understandable that this new statutory requirement is a cost at CTE70. And third, the net impact on the RBC ratio from this new statutory requirement was insignificant. The impact from reflecting future hedges has a favorable impact on required capital because the total risk is lower and more of the risk is now reflected in reserves. As a result, the decline in TAC associated with the new statutory requirement was effectively offset by a decline in required capital.

Importantly, our risk management strategy remains unchanged. We continue to manage the existing shield and variable annuity blocks on a combined basis with a statutory hedge target and a $500 million maximum first loss tolerance. In addition, we do not anticipate material changes in hedge costs under the normal, moderate and adverse scenarios that were the basis for the long-term statutory free cash flow projections we provided in September 2023.

As of December 31, 2023, our TAC was $6.3 billion, which compares with $7.3 billion as of the end of the third quarter of 2023. The key drivers of the sequential decline were the impact of the new statutory requirements and $350 million in subsidiary dividends to the holding company, with $266 million from Brighthouse Life Insurance Company or BLIC and $84 million from New England Life Insurance Company.

Also, we realized the capital benefits associated with the internal reinsurance transaction between BLIC and its New York affiliate that we had discussed with you previously. And this included the release of approximately $200 million of asset adequacy testing reserves. I also want to note that largely because of the reserve increase associated with the new statutory requirement, we had a negative unassigned funds balance at BLIC of approximately $1.1 billion at year-end. Therefore, any potential dividend from BLIC in 2024 would be subject to regulatory approval as an extraordinary dividend. Given the substantial amount of cash at the holding company, our capital return plan is not dependent on dividends from BLIC.

Now turning to adjusted earnings results in the fourth quarter. Adjusted earnings for the quarter of $177 million reflected a $12 million unfavorable notable item or $0.19 per share related to legal matters. Adjusted earnings, excluding the impact from the notable item were $189 million, which compares with adjusted earnings on the same basis of $275 million in the third quarter of 2023 and $282 million in the fourth quarter of 2022.

Excluding the impact of the notable item, the adjusted earnings results in the fourth quarter were below our average quarterly run rate expectation. This was driven by lower alternative investment returns and seasonally higher expenses.

Alternative investment income was approximately $60 million or $0.95 per share below our average quarterly run rate expectation. The alternative investment yield was 0.7% in the fourth quarter. Additionally, corporate expenses are typically higher in the fourth quarter. This seasonality resulted in higher expenses compared with our average quarterly run rate expectation.

Turning to the segment results in the fourth quarter. The Annuities segment reported adjusted earnings of $245 million. Sequentially, annuity results were driven by lower fees, higher expenses and a lower underwriting margin. Adjusted earnings in the Life segment were $4 million. On a sequential basis, Life segment results reflect a higher underwriting margin partially offset by lower net investment income and higher expenses. The Run-off segment reported an adjusted loss of $50 million. Sequentially, results reflect a lower underwriting margin and lower net investment income. Corporate and Other had an adjusted loss, excluding notable items of $10 million and sequentially reflects lower expenses, partially offset by a lower tax benefit.

In closing, we ended the year with a strong statutory balance sheet and substantial cash at the holding company. Our financial position allowed us to support growth as well as return capital to shareholders in 2023, and we expect this to continue in 2024. We would now like to turn the call over to the operator for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question coming from the line of Thomas Gallagher from Evercore.

Thomas George Gallagher - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Good morning, guys. First question is, can you talk about this rule change, the impact net. Ed, I think I heard you say you now have negative assigned surplus. So that probably has some limitations on dividend flows to the holding company. But just kind of a broader question on practically speaking, what does this mean for you with regard to near-term capital management plans? Will it prevent you from taking dividends out for a bit out of the subs and what this might mean for cash flows and buybacks?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Good morning, Tom. There are a lot of questions in there, but I'll try to go in order here. So first, you asked about unassigned funds. Number 1, our capital return plans do not depend on subsidiary dividends. So you see we have a lot of cash at the holding company. We don't need dividends to cover holding company expenses, BLIC dividends to holding -- to cover holding company expenses. There are no debt maturities until 2027. So we're in a very strong position from the ability to continue our capital plan. The second thing I would point out is our current financial plan for 2024 does support us taking capital up from Brighthouse Life Insurance Company or BLIC.

So this suggests that the negative unassigned funds is more of a technical consideration than it is a fundamental one for us. But it's fair to say that given we have a negative unassigned funds and we need regulatory approval for any dividends from BLIC in 2024, we don't think it's appropriate to provide any dollar outlook for BLIC dividends at this point.

The broader question of what does this mean for us? I would say the summary sentence is that including all of our hedges in our financial statements today, highlights the effectiveness of our strategy because you see that the total risk is reduced and the range of outcomes is narrower. So that's specifically CTE98 is down by $1.14 billion, and you have about $2 billion of convergence between 98 and 70. So on a broader basis, I'd say, it doesn't really mean anything in terms of how we manage the risk or how we think about our cash flows. Specifically, the comments I made about hedge costs under this new requirement. We see that there's more immediate interest rate sensitivity under this new requirement than we had previously.

So we have purchased some additional rate protection. I'd say the additional rate protection that we've purchased is modest relative to the significant change we made in our interest rate positioning back in 2022. As a reminder, when interest rates went up a lot, we decided to put on a lot of protection. And so I would say this change is modest relative to that. The reason that hedge costs do not change under this new requirement for the scenarios that we've disclosed to you for our long-term statutory free cash flows is that the moderate scenario, we assume rates follow the forward curve, and adding additional hedges will not have any cost if rates follow the forward curve because that is factored into your hedging that you're doing today.

Under the normal scenario, the 20-year U.S. treasury is mean reverting to about [4.25%] in our projection model. And if you look at where forwards are for the 20-year treasury, 10-year forward, it's like north of [4.50%] right now. So again, not materially different. And then I'd say on the adverse scenario, that has rates going to 1%, so a significant drop in interest rates, and obviously, any additional interest rate hedging for an adverse scenario is a good thing. So I'm not sure if I missed anything, but I'm sure you'll follow up.

Thomas George Gallagher - *Evercore ISI Institutional Equities, Research Division - Senior MD*

No, that's great. That was helpful color. And so really, it sounds like it's more a technicality from their perspective of you need approval before getting dividends out. And I see your RBC looks strong. So that shouldn't be a gating item, I wouldn't think from regulators. So I guess my only follow-up is, Eric, I heard you mention long-term free cash flow is not impacted at all by this. Is intermediate-term cash flow? I'm just trying to get a sense for, I guess, you mentioned, Ed, a little bit of higher interest rate hedging costs. Should we expect the next couple -- 2, 3 years of your best guess for free cash flow is impacted by this? And if so, could you quantify it?

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

We said long term, and I'm saying intermediate is not affected either. So we don't really see any change. I like your word technical. This is a technical accounting change here. But we don't see any changes in cash flows and we're not going to change our buyback plans. We will continue to buyback stock.

Operator

And our next question coming from the line of Ryan Krueger with KBW.

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

My first question was on the 50-basis-point increase in the statutory mean reversion rate on January 1. Can you give us an update on the sensitivity there? I guess, in particular, is it any different than it would have been prior to the change in the reflection of the hedges? Or is it the same as you would have thought previously?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Ryan, it's Ed. So we will get the 50 basis points in the first quarter. We have said in the past that 25 basis points equates to $200 million to $250 million of an impact. It does look like it will be different under the new statutory requirement. I think it's too early to quantify, though, how much different it will be.

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

Okay. And then, I guess, maybe just higher level, I think previously, you would have had the option to reflect all the hedges in your statutory reserves and total asset requirement. I think some VA companies are already doing that. So I guess maybe just curious kind of from a high level, it seems like it doesn't really have -- other than the impact on the signing surplus, it doesn't really have any negative impact. But I guess I'm just curious what was the thought process on not already doing this previously?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Sure. So let me start by saying that obviously, we can't speak for other companies, but I think there are a couple of things to consider for us. The first is that based on peer commentary and industry sources, we do have a different approach to managing the risk. I'd say, first, you hear us, obviously, we're focused on statutory. Secondly, we do hedge VA and shield on a combined basis. And then within that statutory framework, we have a max loss tolerance of up to $500 million and that is calibrated to limit the downside to the RBC ratio. So I think all of those in total, mean that we have somewhat of a different approach than some other companies. You are correct, though.

The second thing that I'd point out is we had been using a hedge runoff calculation. And if we had implemented a clearly defined hedging strategy or CDHS, the impact from the requirement would have been different. When we think about CDHS, I think it's important to sort of go a little bit of a time line and history here for the company. Since we've separated from MetLife, there was a lot of stuff that we needed to accomplish. And I would say that there were 2 significant initiatives related to VA that I think necessitated putting consideration of a CDHS out further in the future.

The first was the meaningful change we had in our risk tolerance back in late '19, early 2020 when we derisked our VA hedging strategy. We lowered the first loss tolerance significantly from where it was and where it was initially intended to go to at separation. And we also changed the nature of our hedging strategy, back in late '19, early 2020. And as you may know, to effectively implement a CDHS, you need a sufficient performance history for that strategy to get the full benefit of the CDHS and so when we did reset the max loss and the type of hedging we were doing, we viewed that as a restarting the clock in terms of the performance history needed to get the maximum benefit for CDHS.

The other thing that occurred around that time and into -- through the end of 2022 was the significant amount of focus we put on actuarial transformation. So moving from multiple valuation systems to 1 valuation environment. That was a very significant initiative, and you may recall that the last conversion we did was variable annuities, which was by year-end 2022. So we didn't think it made sense to go into doing a CDHS when we were in the middle of converting the VA valuation system. And then obviously, we're into 2023, and we have this new requirement, so implementing a CDHS was sort of not even an option because we knew we were going into this new revision to VM21. I know that's a long answer to the question, but I think it is important to understand maybe how we're a little different in terms of how we manage the risk and also everything that we've been doing for the last several years since separation.

Operator

And our next question coming from the line of John Barnidge with Piper Sandler.

John Bakewell Barnidge - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Appreciate the opportunity. Previously, you talked about your outlook for surrender activity being a bit above what the prior run rate was. Given where the rate environment has gone with the visibility of another year's experience, how should we be thinking about surrender activity given your outlook for sales volume?

David Rosenbaum - *Brighthouse Financial, Inc. - Head of Product and Underwriting*

Sure. Thanks, John. So I'll start. As you said and as we've said on previous earnings calls, given the box of business that came out of the surrender charge period in 2023, coupled with the higher rates, we did expect higher outflows in 2023, and we saw that and that was consistent with pricing assumptions. So when we think about the outflows, they are weighted to VA. But given the mix of business that we've sold over the last several years as Brighthouse coupled with the higher rates, the contribution of outflows from Shield and fixed annuities in certain years is growing, but again, in line with pricing assumptions.

So maybe just for some context. So what changed in 2023 relative to 2022? So the overall dollar amount of contract holders using their benefits. So partial withdrawals, annuitizations, debt benefits, that was about the same that was used in 2022. But what changed was the level of full withdrawals increased, again, because of the blocks of business coming out of surrender as well as the higher rates. So that was all consistent with pricing assumptions. So when we look forward in 2024, I would say that kind of the same holds, the blocks of business coming out of surrender charge period and the higher rates, even though they've come back a little bit, as you think about rates over the last handful of years, still higher than that point in time.

We expect a similar level of outflows to what we experienced in 2023 to recur in 2024, but the mix will be a little different based on the blocks of business coming out of the surrender charge period.

John Bakewell Barnidge - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

You normally put out your distributable earnings scenarios in March and put it out in September last year because of LDTI, are you anticipating to go back to that normal cadence?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

John, it's Ed. So we do plan on publishing the long-term statutory free cash flows. We don't have a specific time line at this point, but we will keep you up to date when we get closer to when we think we'll do it.

Operator

And our next question coming from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

My first question, the kind of normalized EPS and if we adjust for alts, went down a little bit in the quarter. And I know, Ed, you alluded to higher Q4 corporate costs. So as we think about kind of run rate earnings when you put kind of back into the range of something in the range of $4, assuming normal alts? And then with that being said, can you just give us a sense of just expectations for VII for the Q1? And any thoughts for 2024 as well?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Sure, Elyse. So you're correct. You're still going to get to a run rate type of number that's in the $4 range. And you start with the 292 ex notable you adjust for the VII or alts that's $0.95 a share off of normal approximately. And then the normal kind of corporate expense run rate because the fourth quarter is, as you can see from our results, historically, the fourth quarter is typically high relative to the average quarter and that's probably in the neighborhood of $0.20 a share or something. So you're going to get to that $4, $4-plus type of number as a normal quarter. And in terms of alts I'm going to pass that over to John.

John Lloyd Rosenthal - *Brighthouse Financial, Inc. - Executive VP & CIO*

Elyse, I think as we've suggested in the past, we really don't want to get into the business of predicting near-term alt returns. So we'll just have to wait and see. And as a reminder, we invest in alternatives, which for us is essentially all private equity for the long term. And the asset class is a good fit for our long-term liabilities. We continue to expect to earn 9% to 11% over the life of these assets, recognizing there will be short-term volatility in the interim, and we use that midpoint of the 9% to 11% for planning purposes.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

And then my second question, going back to some of the capital discussion and recognizing you guys have a good amount of capital as a holdco. But that being said, I mean, Ed, does the -- you guys bought back $60 million in the fourth quarter and $30 million year-to-date. Does it feel like that's kind of the cadence we should think about from a buyback perspective?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Elyse, so we made a decision a while back that we're not going to give a forward look on pace of repurchase. I think you heard Eric and I both said that buybacks are something that you should expect to continue this year. You can look at our history and what we've done in terms of amount and timing. And I would just say you can base it off of that. One of the things that we have said, I guess, starting back in late '22 was that we were a little cautious on the environment. We haven't had a credit cycle in a long time. Obviously, this year -- last year was a good year. There was -- market was strong, but we do think it's been a long time since credit cycle, and it makes sense to be a little bit prudent about that.

Operator

And our next question coming from the line of Alex Scott with Goldman Sachs.

Alex Scott - *Goldman Sachs*

First one I have for you is going back to the CTE98 level and it being lower. I just wanted to get a feel for how it changes the emergence of CTE over time? I think if we go back far enough, you guys used to give us an indication of when the CTE requirement would peak in different scenarios and obviously, providing that level of detail, but I was hoping maybe you could give us an indication of how far away at this point are we from that? And did this accounting change affected at all?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Alex, so our initial view is that it's not going to change that much, that the sort of the timing of that would be similar to what it was prior to this new requirement.

Alex Scott - *Goldman Sachs*

The second one I have is on the normalized statutory earnings. It's weaker this year, a little negative, and I think that included onetime benefits from both the mean reversion point change and it sounded like some [AAT] release in 4Q. So the run rate there seems pretty low. Any help you can give us in thinking through how that will unfold over the next year or two? Or any kind of way to maybe further -- I know it's an already normalized number, but any help on just thinking where we are in terms of the statutory earnings power of the company?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

So Alex, I don't think I can give you any help on a 1-year view. And the reason for that is that there is still a fair amount of volatility. So you're correct, we -- the approximately $200-million loss in 2023. If you look at 2022, we had $1 billion of norm stat earnings. If you look at the range of norm stat earnings over the last 5 years or so, it's been pretty wide. Now obviously, we think that over time, we're going to have more predictable cash flows, more predictable earnings. But at this point, it's still been pretty volatile. And I don't think even as you look at our cash flows that we talked about, where we see convergence between the scenarios, we're not talking about any single year of an outlook. If you go back over since 2018, our norm stat earnings has averaged slightly less than $400 million a year and our net cash flow to the holding company has averaged like $335 million a year.

Alex Scott - *Goldman Sachs*

So I mean is that a rough way to think about recovery and this negative unassigned funds and how long it could take to rebuild? I mean that's what I'm trying to get at is just trying to understand the period of time it could take to have that go away.

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Yes, so the our ability to predict what's going to happen to unassigned funds, very difficult because you will see a lot of movement in CTE70 versus CTE98 depending on the market environment. And obviously, CTE70 is driving TAC, and that's going to have the impact and because it's driving reserves and that's going to impact TAC and that's driving the movement in unassigned funds. So I would just go back to what I said I think, in response to Tom's question, which is when we look at our capital plan, our expectation, what we could support over time. Our financial plan would suggest that we should be able to take capital up from BLIC in 2024.

Now obviously, with negative unassigned funds, we would need to have regulatory approval to do that. But as you can imagine, when we think about our financial position, we're looking at our risk-based capital ratio, and you see where it was at the end of the year, and we have an expectation that would suggest that we should be able to support taking capital up in 2024.

Operator

And our next question coming from the line of Suneet Kamath with Jefferies.

Suneet Laxman L. Kamath - *Jefferies LLC, Research Division - Equity Analyst*

So I just wanted to go back to the September distributable earnings deck that you guys put out. If we looked at the longer, longer term, sort of years 6 through 10 in that scenario, it would seem to have implied sort of a step-up in distributable earnings. So I'm just wondering, does any of that change as a result of this in any kind of material way? And what I mean by this is obviously the accounting change.

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

Yes. Suneet, I would not think the pattern is going to change that much based on this new requirement.

Suneet Laxman L. Kamath - *Jefferies LLC, Research Division - Equity Analyst*

Got it. And then, I guess, we've been talking a lot about BLIC and NELICO, but we haven't really talked about your captive reinsurance subsidiary. Does that come into play at all in terms of a source of holdco cash?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

So you're talking about Brighthouse Reinsurance Company of Delaware, BRCD?

Suneet Laxman L. Kamath - *Jefferies LLC, Research Division - Equity Analyst*

Correct.

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

So I would just repeat what I've said in the past, which is we do not view BRCD as a source of ongoing capital to the holding company or to BLIC or the holding company. As you know, we took two $600 million dividends out of BRCD, so $1.2 billion. We think that brought the capitalization of that entity to a level that is appropriate and it's a runoff business. It's our life risk. Life risk with a lot of the concentration of the ULSG risk is in that entity. So I would not view that entity as an ongoing source of capital to the holding company -- to BLIC or to the holding company.

Suneet Laxman L. Kamath - *Jefferies LLC, Research Division - Equity Analyst*

Okay. And then maybe if I could just sneak 1 more in. Just in terms of your new sales and the strain associated with that. I think, Ed, in the past, you talked about maybe 5 points of RBC. Is that still kind of where we are in terms of the new business and the plan for '24?

Edward Allen Spehar - *Brighthouse Financial, Inc. - Executive VP & CFO*

I think that's still a reasonable expectation.

Operator

I'm showing no further questions in the queue at this time. I will now turn the call back over to Dana Amante for closing remarks.

Dana Amante - *Brighthouse Financial, Inc. - Head of IR*

Thank you, Olivia. And thank you, everyone, for joining our call this morning. Have a great day.

Operator

Ladies and gentlemen, that ends our conference for today. Thank you for your participation. You may now disconnect.
