

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission File Number: 033-03094



Brighthouse
FINANCIAL®

Brighthouse Life Insurance Company

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-0566090

(I.R.S. Employer Identification No.)

11225 North Community House Road, Charlotte, North Carolina

(Address of principal executive offices)

28277

(Zip Code)

(980) 365-7100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class

Trading symbol(s)

Name of each exchange on which registered

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 11, 2021, 3,000 shares of the registrant's common stock were outstanding, all of which were owned indirectly by Brighthouse Financial, Inc.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is, therefore, filing this Form 10-Q with the reduced disclosure format.

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Part I — Financial Information**Item 1. Financial Statements**

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Interim Condensed Consolidated Balance Sheets
March 31, 2021 (Unaudited) and December 31, 2020

(In millions, except share and per share data)

	March 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$71,082 and \$69,483, respectively; allowance for credit losses of \$8 and \$2, respectively)	\$ 77,909	\$ 81,299
Equity securities, at estimated fair value	101	133
Mortgage loans (net of allowance for credit losses of \$90 and \$94, respectively)	15,607	15,722
Policy loans	844	884
Limited partnerships and limited liability companies	3,218	2,809
Short-term investments, principally at estimated fair value	312	1,885
Other invested assets, principally at estimated fair value (net of allowance for credit losses of \$13 and \$13, respectively)	2,277	3,757
Total investments	100,268	106,489
Cash and cash equivalents	3,710	3,684
Accrued investment income	715	656
Premiums, reinsurance and other receivables (net of allowance for credit losses of \$10 and \$10, respectively)	15,664	15,721
Deferred policy acquisition costs and value of business acquired	4,621	4,357
Other assets	396	395
Separate account assets	104,173	103,986
Total assets	\$ 229,547	\$ 235,288
Liabilities and Equity		
Liabilities		
Future policy benefits	\$ 42,145	\$ 44,266
Policyholder account balances	54,478	53,946
Other policy-related balances	3,091	3,114
Payables for collateral under securities loaned and other transactions	4,269	5,237
Long-term debt	842	843
Current income tax payable	132	110
Deferred income tax liability	725	1,461
Other liabilities	4,266	4,210
Separate account liabilities	104,173	103,986
Total liabilities	214,121	217,173
Contingencies, Commitments and Guarantees (Note 9)		
Equity		
Brighthouse Life Insurance Company's stockholder's equity:		
Common stock, par value \$25,000 per share; 4,000 shares authorized; 3,000 shares issued and outstanding	75	75
Additional paid-in capital	18,323	18,323
Retained earnings (deficit)	(6,172)	(5,719)
Accumulated other comprehensive income (loss)	3,185	5,421
Total Brighthouse Life Insurance Company's stockholder's equity	15,411	18,100
Noncontrolling interests	15	15
Total equity	15,426	18,115
Total liabilities and equity	\$ 229,547	\$ 235,288

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2021 and 2020 (Unaudited)

(In millions)

	Three Months Ended March 31,	
	2021	2020
Revenues		
Premiums	\$ 181	\$ 191
Universal life and investment-type product policy fees	743	701
Net investment income	1,169	896
Other revenues	96	84
Net investment gains (losses)	12	(19)
Net derivative gains (losses)	(1,387)	6,747
Total revenues	814	8,600
Expenses		
Policyholder benefits and claims	644	1,133
Interest credited to policyholder account balances	290	251
Amortization of deferred policy acquisition costs and value of business acquired	50	702
Other expenses	424	410
Total expenses	1,408	2,496
Income (loss) before provision for income tax	(594)	6,104
Provision for income tax expense (benefit)	(141)	1,265
Net income (loss)	(453)	4,839
Less: Net income (loss) attributable to noncontrolling interests	—	—
Net income (loss) attributable to Brighthouse Life Insurance Company	\$ (453)	\$ 4,839
Comprehensive income (loss)	\$ (2,689)	\$ 4,069
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	—
Comprehensive income (loss) attributable to Brighthouse Life Insurance Company	\$ (2,689)	\$ 4,069

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Interim Condensed Consolidated Statements of Equity
For the Three Months Ended March 31, 2021 and 2020 (Unaudited)

(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brighthouse Life Insurance Company's Stockholder's Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2020	\$ 75	\$ 18,323	\$ (5,719)	\$ 5,421	\$ 18,100	\$ 15	\$ 18,115
Net income (loss)			(453)		(453)		(453)
Other comprehensive income (loss), net of income tax				(2,236)	(2,236)		(2,236)
Balance at March 31, 2021	<u>\$ 75</u>	<u>\$ 18,323</u>	<u>\$ (6,172)</u>	<u>\$ 3,185</u>	<u>\$ 15,411</u>	<u>\$ 15</u>	<u>\$ 15,426</u>

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brighthouse Life Insurance Company's Stockholder's Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2019	\$ 75	\$ 19,073	\$ (3,899)	\$ 3,215	\$ 18,464	\$ 15	\$ 18,479
Cumulative effect of change in accounting principle, net of income tax			(14)	3	(11)		(11)
Balance at January 1, 2020	75	19,073	(3,913)	3,218	18,453	15	18,468
Dividends paid to parent		(300)			(300)		(300)
Net income (loss)			4,839		4,839		4,839
Other comprehensive income (loss), net of income tax				(773)	(773)		(773)
Balance at March 31, 2020	<u>\$ 75</u>	<u>\$ 18,773</u>	<u>\$ 926</u>	<u>\$ 2,445</u>	<u>\$ 22,219</u>	<u>\$ 15</u>	<u>\$ 22,234</u>

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Interim Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2021 and 2020 (Unaudited)

(In millions)

	Three Months Ended March 31,	
	2021	2020
Net cash provided by (used in) operating activities	\$ 80	\$ 158
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	2,595	1,644
Equity securities	53	14
Mortgage loans	724	480
Limited partnerships and limited liability companies	49	69
Purchases of:		
Fixed maturity securities	(3,945)	(2,469)
Equity securities	(6)	—
Mortgage loans	(568)	(277)
Limited partnerships and limited liability companies	(204)	(178)
Cash received in connection with freestanding derivatives	1,012	3,411
Cash paid in connection with freestanding derivatives	(1,581)	(1,806)
Issuances of loans to affiliate	—	(100)
Net change in policy loans	40	39
Net change in short-term investments	1,573	(2,245)
Net change in other invested assets	—	18
Net cash provided by (used in) investing activities	(258)	(1,400)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	1,921	1,839
Withdrawals	(682)	(473)
Net change in payables for collateral under securities loaned and other transactions	(968)	6,590
Long-term and short-term debt issued	—	100
Dividends paid to parent	—	(300)
Financing element on certain derivative instruments and other derivative related transactions, net	(67)	(486)
Other, net	—	(13)
Net cash provided by (used in) financing activities	204	7,257
Change in cash, cash equivalents and restricted cash	26	6,015
Cash, cash equivalents and restricted cash, beginning of period	3,684	2,493
Cash, cash equivalents and restricted cash, end of period	\$ 3,710	\$ 8,508
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	\$ 34	\$ 34
Income tax	\$ (21)	\$ —

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Business

“BLIC” and the “Company” refer to Brighthouse Life Insurance Company, a Delaware corporation originally incorporated in Connecticut in 1863, and its subsidiaries. Brighthouse Life Insurance Company is a wholly-owned subsidiary of Brighthouse Holdings, LLC (“BH Holdings”) and an indirect wholly-owned subsidiary of Brighthouse Financial, Inc. (“BHF” together with its subsidiaries and affiliates, “Brighthouse Financial”). BLIC offers a range of individual annuities and individual life insurance products. The Company is organized into three segments: Annuities; Life; and Run-off. In addition, the Company reports certain of its results of operations in Corporate & Other.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the interim condensed consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company’s business and operations. Actual results could differ from these estimates.

Consolidation

The accompanying interim condensed consolidated financial statements include the accounts of Brighthouse Life Insurance Company and its subsidiaries, as well as partnerships and limited liability companies (“LLCs”) that the Company controls. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for investments in limited partnerships and LLCs when it has more than a minor ownership interest or more than a minor influence over the investee’s operations. The Company generally recognizes its share of the investee’s earnings on a three-month lag in instances where the investee’s financial information is not sufficiently timely or when the investee’s reporting period differs from the Company’s reporting period. When the Company has virtually no influence over the investee’s operations, the investment is carried at fair value.

Reclassifications

Certain amounts in the prior year periods’ interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the current period presentation as may be discussed when applicable in the Notes to the Interim Condensed Consolidated Financial Statements.

Since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a standalone entity.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2020 consolidated balance sheet data was derived from audited consolidated financial statements included in Brighthouse Life Insurance Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Annual Report”), which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2020 Annual Report.

Adoption of New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASU”) to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. There were no ASUs adopted during the first quarter of 2021.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Future Adoption of New Accounting Pronouncements

In August 2018, the FASB issued new guidance on long-duration contracts (ASU 2018-12, *Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*). This new guidance is effective for fiscal years beginning after January 1, 2023. The amendments to Topic 944 will result in significant changes to the accounting for long-duration insurance contracts. These changes (i) require all guarantees that qualify as market risk benefits to be measured at fair value, (ii) require more frequent updating of assumptions and modify existing discount rate requirements for certain insurance liabilities, (iii) modify the methods of amortization for deferred policy acquisition costs (“DAC”), and (iv) require new qualitative and quantitative disclosures around insurance contract asset and liability balances and the judgments, assumptions and methods used to measure those balances. The market risk benefit guidance is required to be applied on a retrospective basis, while the changes to guidance for insurance liabilities and DAC may be applied to existing carrying amounts on the effective date or on a retrospective basis.

The Company continues to evaluate the new guidance and therefore is unable to estimate the impact on its financial statements. The most significant impact from the ASU is the requirement that all variable annuity guarantees will be considered market risk benefits and measured at fair value, whereas currently a significant amount of variable annuity guarantees are classified as insurance liabilities.

2. Segment Information

The Company is organized into three segments: Annuities; Life; and Run-off. In addition, the Company reports certain of its results of operations in Corporate & Other.

Annuities

The Annuities segment consists of a variety of variable, fixed, index-linked and income annuities designed to address contract holders’ needs for protected wealth accumulation on a tax-deferred basis, wealth transfer and income security.

Life

The Life segment consists of insurance products and services, including term, universal, whole and variable life products designed to address policyholders’ needs for financial security and protected wealth transfer, which may be provided on a tax-advantaged basis.

Run-off

The Run-off segment consists of products that are no longer actively sold and are separately managed, including structured settlements, pension risk transfer contracts, certain company-owned life insurance policies, certain funding agreements and universal life with secondary guarantees.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments and interest expense related to the Company’s outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes long-term care and workers’ compensation business reinsured through 100% quota share reinsurance agreements and term life insurance sold direct to consumers, which is no longer being offered for new sales.

Financial Measures and Segment Accounting Policies

Adjusted earnings is a financial measure used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. Consistent with GAAP guidance for segment reporting, adjusted earnings is also used to measure segment performance. The Company believes the presentation of adjusted earnings, as the Company measures it for management purposes, enhances the understanding of its performance by the investor community and contract holders by highlighting the results of operations and the underlying profitability drivers of the business. Adjusted earnings should not be viewed as a substitute for net income (loss) attributable to Brighthouse Life Insurance Company and excludes net income (loss) attributable to noncontrolling interests.

Adjusted earnings, which may be positive or negative, focuses on the Company’s primary businesses principally by excluding the impact of market volatility, which could distort trends.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

2. Segment Information (continued)

The following are significant items excluded from total revenues, net of income tax, in calculating adjusted earnings:

- Net investment gains (losses);
- Net derivative gains (losses) except earned income and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment; and
- Certain variable annuity guaranteed minimum income benefits (“GMIB”) fees (“GMIB Fees”).

The following are significant items excluded from total expenses, net of income tax, in calculating adjusted earnings:

- Amounts associated with benefits related to GMIBs (“GMIB Costs”);
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”); and
- Amortization of DAC and value of business acquired (“VOBA”) related to: (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned above is calculated net of the statutory tax rate, which could differ from the Company’s effective tax rate.

The segment accounting policies are the same as those used to prepare the Company’s interim condensed consolidated financial statements, except for the adjustments to calculate adjusted earnings described above. In addition, segment accounting policies include the methods of capital allocation described below.

Segment investment and capitalization targets are based on statutory oriented risk principles and metrics. Segment invested assets backing liabilities are based on net statutory liabilities plus excess capital. For the variable annuity business, the excess capital held is based on the target statutory total asset requirement consistent with the Company’s variable annuity risk management strategy. For insurance businesses other than variable annuities, excess capital held is based on a percentage of required statutory risk-based capital. Assets in excess of those allocated to the segments, if any, are held in Corporate & Other. Segment net investment income reflects the performance of each segment’s respective invested assets.

Operating results by segment, as well as Corporate & Other, were as follows:

	Three Months Ended March 31, 2021				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	\$ 396	\$ 141	\$ 85	\$ (66)	\$ 556
Provision for income tax expense (benefit)	75	29	9	(12)	101
Post-tax adjusted earnings	321	112	76	(54)	455
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
Adjusted earnings	<u>\$ 321</u>	<u>\$ 112</u>	<u>\$ 76</u>	<u>\$ (54)</u>	<u>455</u>
Adjustments for:					
Net investment gains (losses)					12
Net derivative gains (losses)					(1,387)
Other adjustments to net income (loss)					225
Provision for income tax (expense) benefit					242
Net income (loss) attributable to Brighthouse Life Insurance Company					<u>\$ (453)</u>
Interest revenue	\$ 547	\$ 150	\$ 463	\$ 14	
Interest expense	\$ —	\$ —	\$ —	\$ 17	

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

2. Segment Information (continued)

	Three Months Ended March 31, 2020				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	\$ 383	\$ 21	\$ (89)	\$ (83)	\$ 232
Provision for income tax expense (benefit)	72	4	(19)	(25)	32
Post-tax adjusted earnings	311	17	(70)	(58)	200
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
Adjusted earnings	<u>\$ 311</u>	<u>\$ 17</u>	<u>\$ (70)</u>	<u>\$ (58)</u>	<u>200</u>
Adjustments for:					
Net investment gains (losses)					(19)
Net derivative gains (losses)					6,747
Other adjustments to net income (loss)					(856)
Provision for income tax (expense) benefit					(1,233)
Net income (loss) attributable to Brighthouse Life Insurance Company					<u>\$ 4,839</u>
Interest revenue	\$ 458	\$ 100	\$ 324	\$ 16	
Interest expense	\$ —	\$ —	\$ —	\$ 17	

Total revenues by segment, as well as Corporate & Other, were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Annuities	\$ 1,147	\$ 1,013
Life	324	269
Run-off	628	493
Corporate & Other	35	38
Adjustments	(1,320)	6,787
Total	<u>\$ 814</u>	<u>\$ 8,600</u>

Total assets by segment, as well as Corporate & Other, were as follows at:

	March 31, 2021	December 31, 2020
	(In millions)	
Annuities	\$ 166,591	\$ 167,806
Life	17,305	17,796
Run-off	35,279	38,366
Corporate & Other	10,372	11,320
Total	<u>\$ 229,547</u>	<u>\$ 235,288</u>

3. Insurance

Guarantees

As discussed in Notes 1 and 3 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report, the Company issues variable annuity contracts with guaranteed minimum benefits. Guaranteed minimum death benefits, the life contingent portion of guaranteed minimum withdrawal benefits (“GMWB”) and certain portions of GMIBs are accounted for as insurance liabilities in future policyholder benefits, while other guarantees are accounted for in whole or in part as embedded derivatives in policyholder account balances and are further discussed in Note 5.

The Company also has secondary guarantees on universal and variable life insurance contracts accounted for as insurance liabilities.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

3. Insurance (continued)

Information regarding the Company's guarantee exposure was as follows at:

	March 31, 2021		December 31, 2020													
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization												
(Dollars in millions)																
Annuity Contracts (1), (2)																
Variable Annuity Guarantees																
Total account value (3)	\$ 104,220	\$ 57,305	\$ 104,075	\$ 57,790												
Separate account value	\$ 99,374	\$ 56,184	\$ 99,257	\$ 56,668												
Net amount at risk	\$ 6,660 (4)	\$ 5,369 (5)	\$ 6,392 (4)	\$ 6,341 (5)												
Average attained age of contract holders	71 years	70 years	70 years	70 years												
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">March 31, 2021</th> <th style="width: 50%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">December 31, 2020</th> </tr> </thead> <tbody> <tr> <td colspan="4" style="text-align: center;">Secondary Guarantees</td> </tr> <tr> <td colspan="4" style="text-align: center;">(Dollars in millions)</td> </tr> </tbody> </table>						March 31, 2021		December 31, 2020	Secondary Guarantees				(Dollars in millions)			
	March 31, 2021		December 31, 2020													
Secondary Guarantees																
(Dollars in millions)																
Universal Life Contracts																
Total account value (3)			\$ 5,691	\$ 5,772												
Net amount at risk (6)			\$ 68,529	\$ 69,083												
Average attained age of policyholders			67 years	67 years												
Variable Life Contracts																
Total account value (3)			\$ 1,347	\$ 1,306												
Net amount at risk (6)			\$ 11,047	\$ 11,234												
Average attained age of policyholders			46 years	46 years												

- (1) The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.
- (2) Includes direct business, but excludes offsets from hedging or reinsurance, if any. Therefore, the net amount at risk presented reflects the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company. See Note 5 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for a discussion of guaranteed minimum benefits which have been reinsured.
- (3) Includes the contract holder's investments in the general account and separate account, if applicable.
- (4) Defined as the death benefit less the total account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.
- (5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contract holders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contract holders have achieved.
- (6) Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

4. Investments

See Note 1 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for a description of the Company's accounting policies for investments and Note 6 for information about the fair value hierarchy for investments and the related valuation methodologies.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

Fixed Maturity Securities Available-for-sale

Fixed Maturity Securities by Sector

Fixed maturity securities by sector were as follows at:

	March 31, 2021					December 31, 2020				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized		Estimated Fair Value	Amortized Cost	Allowance for Credit Losses	Gross Unrealized		Estimated Fair Value
			Gains	Losses				Gains	Losses	
(In millions)										
U.S. corporate	\$ 32,762	\$ 2	\$ 3,118	\$ 430	\$ 35,448	\$ 32,062	\$ 2	\$ 5,286	\$ 70	\$ 37,276
Foreign corporate	10,291	6	948	123	11,110	9,926	—	1,493	44	11,375
U.S. government and agency	6,153	—	1,642	132	7,663	5,871	—	2,599	6	8,464
RMBS	7,280	—	521	18	7,783	7,578	—	644	3	8,219
CMBS	6,240	—	371	34	6,577	6,120	—	586	9	6,697
State and political subdivision	3,823	—	724	26	4,521	3,607	—	948	—	4,555
ABS	2,998	—	51	5	3,044	2,831	—	60	10	2,881
Foreign government	1,535	—	238	10	1,763	1,488	—	345	1	1,832
Total fixed maturity securities	<u>\$ 71,082</u>	<u>\$ 8</u>	<u>\$ 7,613</u>	<u>\$ 778</u>	<u>\$ 77,909</u>	<u>\$ 69,483</u>	<u>\$ 2</u>	<u>\$ 11,961</u>	<u>\$ 143</u>	<u>\$ 81,299</u>

The Company held non-income producing fixed maturity securities with an estimated fair value of \$2 million and \$5 million at March 31, 2021 and December 31, 2020, respectively.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at March 31, 2021:

	Due in One Year or Less					Due After One Year Through Five Years		Due After Five Years Through Ten Years		Due After Ten Years		Structured Securities (1)	Total Fixed Maturity Securities
(In millions)													
Amortized cost	\$	1,414	\$	7,353	\$	15,160	\$	30,637	\$	16,518	\$	71,082	
Estimated fair value	\$	1,437	\$	7,812	\$	16,181	\$	35,075	\$	17,404	\$	77,909	

(1) Structured securities include residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”) (collectively, “Structured Securities”).

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been presented in the year of final contractual maturity. Structured Securities are shown separately, as they are not due at a single maturity.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)
Continuous Gross Unrealized Losses for Fixed Maturity Securities by Sector

The estimated fair value and gross unrealized losses of fixed maturity securities in an unrealized loss position, by sector and by length of time that the securities have been in a continuous unrealized loss position, were as follows at:

	March 31, 2021				December 31, 2020			
	Less than 12 Months		12 Months or Greater		Less than 12 Months		12 Months or Greater	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
(Dollars in millions)								
U.S. corporate	\$ 6,426	\$ 419	\$ 310	\$ 11	\$ 1,726	\$ 57	\$ 181	\$ 13
Foreign corporate	1,614	88	289	35	243	7	345	37
U.S. government and agency	985	132	—	—	236	6	—	—
RMBS	834	16	56	2	180	2	22	1
CMBS	860	31	85	3	331	7	44	2
State and political subdivision	590	26	—	—	46	—	—	—
ABS	538	3	345	2	506	3	629	7
Foreign government	171	10	—	—	55	1	—	—
Total fixed maturity securities	<u>\$ 12,018</u>	<u>\$ 725</u>	<u>\$ 1,085</u>	<u>\$ 53</u>	<u>\$ 3,323</u>	<u>\$ 83</u>	<u>\$ 1,221</u>	<u>\$ 60</u>
Total number of securities in an unrealized loss position	<u>1,697</u>		<u>292</u>		<u>665</u>		<u>241</u>	

Allowance for Credit Losses for Fixed Maturity Securities
Evaluation and Measurement Methodologies

For fixed maturity securities in an unrealized loss position, management first assesses whether the Company intends to sell, or whether it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to estimated fair value through net investment gains (losses). For fixed maturity securities that do not meet the aforementioned criteria, management evaluates whether the decline in estimated fair value has resulted from credit losses or other factors. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the allowance for credit loss evaluation process include, but are not limited to: (i) the extent to which estimated fair value is less than amortized cost; (ii) any changes to the rating of the security by a rating agency; (iii) adverse conditions specifically related to the security, industry or geographic area; and (iv) payment structure of the fixed maturity security and the likelihood of the issuer being able to make payments in the future or the issuer's failure to make scheduled interest and principal payments. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss is deemed to exist and an allowance for credit losses is recorded, limited by the amount that the estimated fair value is less than the amortized cost basis, with a corresponding charge to net investment gains (losses). Any unrealized losses that have not been recorded through an allowance for credit losses are recognized in other comprehensive income (loss) ("OCI").

Once a security specific allowance for credit losses is established, the present value of cash flows expected to be collected from the security continues to be reassessed. Any changes in the security specific allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense in net investment gains (losses).

Fixed maturity securities are also evaluated to determine whether any amounts have become uncollectible. When all, or a portion, of a security is deemed uncollectible, the uncollectible portion is written-off with an adjustment to amortized cost and a corresponding reduction to the allowance for credit losses.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

Accrued interest receivables are presented separate from the amortized cost basis of fixed maturity securities. An allowance for credit losses is not estimated on an accrued interest receivable, rather receivable balances 90-days past due are deemed uncollectible and are written off with a corresponding reduction to net investment income. The accrued interest receivable on fixed maturity securities totaled \$557 million and \$506 million at March 31, 2021 and December 31, 2020, respectively, and is included in accrued investment income.

Fixed maturity securities are also evaluated to determine if they qualify as purchased financial assets with credit deterioration (“PCD”). To determine if the credit deterioration experienced since origination is more than insignificant, both (i) the extent of the credit deterioration and (ii) any rating agency downgrades are evaluated. For securities categorized as PCD assets, the present value of cash flows expected to be collected from the security are compared to the par value of the security. If the present value of cash flows expected to be collected is less than the par value, credit losses are embedded in the purchase price of the PCD asset. In this situation, both an allowance for credit losses and amortized cost gross-up is recorded, limited by the amount that the estimated fair value is less than the grossed-up amortized cost basis. Any difference between the purchase price and the present value of cash flows is amortized or accreted into net investment income over the life of the PCD asset. Any subsequent PCD asset allowance for credit losses is evaluated in a manner similar to the process described above for fixed maturity securities.

Current Period Evaluation

Based on the Company’s current evaluation of its fixed maturity securities in an unrealized loss position and the current intent or requirement to sell, the Company recorded an allowance for credit losses of \$8 million, relating to four securities at March 31, 2021. Management concluded that for all other fixed maturity securities in an unrealized loss position, the unrealized loss was not due to issuer-specific credit-related factors and as a result was recognized in OCI. Where unrealized losses have not been recognized into income, it is primarily because the securities’ bond issuer(s) are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in estimated fair value is largely due to changes in interest rates and non-issuer specific credit spreads. These issuers continued to make timely principal and interest payments and the estimated fair value is expected to recover as the securities approach maturity.

Rollforward of the Allowance for Credit Losses for Fixed Maturity Securities by Sector

The changes in the allowance for credit losses by sector were as follows:

	U.S. Corporate	Foreign Corporate	Foreign Government	Total
	(In millions)			
Three Months Ended March 31, 2021				
Balance, beginning of period	\$ 2	\$ —	\$ —	\$ 2
Allowance on securities where credit losses were not previously recorded	—	6	—	6
Change in allowance on securities with an allowance recorded in a previous period	—	—	—	—
Write-offs charged against allowance (1)	—	—	—	—
Balance, end of period	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 8</u>
Three Months Ended March 31, 2020				
Balance, beginning of period	\$ 3	\$ 1	\$ —	\$ 4
Allowance on securities where credit losses were not previously recorded	8	—	1	9
Change in allowance on securities with an allowance recorded in a previous period	—	1	—	1
Write-offs charged against allowance (1)	(3)	(1)	—	(4)
Balance, end of period	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 10</u>

(1) The Company did not record any write-offs during the three months ended March 31, 2021. The Company recorded total write-offs of \$12 million during the three months ended March 31, 2020.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	March 31, 2021		December 31, 2020	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Commercial	\$ 9,615	61.6 %	\$ 9,687	61.6 %
Agricultural	3,550	22.8	3,479	22.1
Residential	2,532	16.2	2,650	16.9
Total mortgage loans (1)	15,697	100.6	15,816	100.6
Allowance for credit losses	(90)	(0.6)	(94)	(0.6)
Total mortgage loans, net	\$ 15,607	100.0 %	\$ 15,722	100.0 %

- (1) Purchases of mortgage loans from third parties were \$178 million and \$157 million for the three months ended March 31, 2021 and 2020, respectively, and were primarily comprised of residential mortgage loans.

Allowance for Credit Losses for Mortgage Loans

Evaluation and Measurement Methodologies

The allowance for credit losses is a valuation account that is deducted from the mortgage loan's amortized cost basis to present the net amount expected to be collected on the mortgage loan. The loan balance, or a portion of the loan balance, is written-off against the allowance when management believes this amount is uncollectible.

Accrued interest receivables are presented separate from the amortized cost basis of mortgage loans. An allowance for credit losses is generally not estimated on an accrued interest receivable, rather when a loan is placed in nonaccrual status the associated accrued interest receivable balance is written off with a corresponding reduction to net investment income. For mortgage loans that are granted payment deferrals due to the impact of the ongoing worldwide pandemic sparked by the novel coronavirus ("COVID-19 pandemic"), interest continues to be accrued during the deferral period if the loan was less than 30 days past due at December 31, 2019 and performing at the onset of the pandemic. Accrued interest on COVID-19 pandemic impacted loans was not significant at both March 31, 2021 and December 31, 2020. The accrued interest receivable on mortgage loans is included in accrued investment income and totaled \$82 million and \$88 million at March 31, 2021 and December 31, 2020, respectively.

The allowance for credit losses is estimated using relevant available information, from internal and external sources, relating to past events, current conditions, and a reasonable and supportable forecast. Historical credit loss experience provides the basis for estimating expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics and environmental conditions. A reasonable and supportable forecast period of two-years is used with an input reversion period of one-year.

Mortgage loans are evaluated in each of the three portfolio segments to determine the allowance for credit losses. The loan-level loss rates are determined using individual loan terms and characteristics, risk pools/internal ratings, national economic forecasts, prepayment speeds, and estimated default and loss severity.

The resulting loss rates are applied to the mortgage loan's amortized cost to generate an allowance for credit losses. In certain situations, the allowance for credit losses is measured as the difference between the loan's amortized cost and liquidation value of the collateral. These situations include collateral dependent loans, expected troubled debt restructurings ("TDR"), foreclosure probable loans, and loans with dissimilar risk characteristics.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

Mortgage loans are also evaluated to determine if they qualify as PCD assets. To determine if the credit deterioration experienced since origination is more than insignificant, the extent of credit deterioration is evaluated. All re-performing/modified loan (“RPL”) pools purchased after December 31, 2019 are determined to have been acquired with evidence of more than insignificant credit deterioration since origination and are classified as PCD assets. RPLs are pools of residential mortgage loans acquired at a discount or premium which have both credit and non-credit components. For PCD mortgage loans, the allowance for credit losses is determined using a similar methodology described above, except the loss-rate is determined at the pool level instead of the individual loan level. The initial allowance for credit losses, determined on a collective basis, is then allocated to the individual loans. The initial amortized cost of the loan is grossed-up to reflect the sum of the loan’s purchase price and allowance for credit losses. The difference between the grossed-up amortized cost basis and the par value of the loan is a noncredit discount or premium, which is accreted or amortized into net investment income over the remaining life of the loan. Any subsequent PCD mortgage loan allowance for credit losses is evaluated in a manner similar to the process described above for each of the three portfolio segments.

Rollforward of the Allowance for Credit Losses for Mortgage Loans by Portfolio Segment

The changes in the allowance for credit losses by portfolio segment were as follows:

	Commercial	Agricultural	Residential	Total
	(In millions)			
Three Months Ended March 31, 2021				
Balance, beginning of period	\$ 44	\$ 15	\$ 35	\$ 94
Current period provision	1	(2)	(3)	(4)
Balance, end of period	<u>\$ 45</u>	<u>\$ 13</u>	<u>\$ 32</u>	<u>\$ 90</u>
Three Months Ended March 31, 2020				
Balance, beginning of period	\$ 27	\$ 16	\$ 21	\$ 64
Current period provision	—	1	3	4
Balance, end of period	<u>\$ 27</u>	<u>\$ 17</u>	<u>\$ 24</u>	<u>\$ 68</u>

PCD Mortgage Loans

The Company did not purchase any PCD mortgage loans during both the three months ended March 31, 2021 and 2020.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)
Credit Quality of Mortgage Loans by Portfolio Segment

The amortized cost of mortgage loans by year of origination and credit quality indicator was as follows at:

	2021	2020	2019	2018	2017	Prior	Total
(In millions)							
March 31, 2021							
Commercial mortgage loans							
Loan-to-value ratios:							
Less than 65%	\$ 63	\$ 316	\$ 1,476	\$ 953	\$ 513	\$ 3,714	\$ 7,035
65% to 75%	83	200	500	532	312	555	2,182
76% to 80%	—	—	—	—	44	85	129
Greater than 80%	—	—	—	30	—	239	269
Total commercial mortgage loans	146	516	1,976	1,515	869	4,593	9,615
Agricultural mortgage loans							
Loan-to-value ratios:							
Less than 65%	200	562	523	730	351	928	3,294
65% to 75%	42	79	80	5	32	18	256
Total agricultural mortgage loans	242	641	603	735	383	946	3,550
Residential mortgage loans							
Performing	1	249	397	339	101	1,371	2,458
Nonperforming	—	1	2	4	—	67	74
Total residential mortgage loans	1	250	399	343	101	1,438	2,532
Total	\$ 389	\$ 1,407	\$ 2,978	\$ 2,593	\$ 1,353	\$ 6,977	\$ 15,697

	2020	2019	2018	2017	2016	Prior	Total
(In millions)							
December 31, 2020							
Commercial mortgage loans							
Loan-to-value ratios:							
Less than 65%	\$ 317	\$ 1,527	\$ 1,004	\$ 514	\$ 1,106	\$ 2,808	\$ 7,276
65% to 75%	200	450	482	322	59	498	2,011
76% to 80%	—	—	—	44	79	8	131
Greater than 80%	—	—	29	—	6	234	269
Total commercial mortgage loans	517	1,977	1,515	880	1,250	3,548	9,687
Agricultural mortgage loans							
Loan-to-value ratios:							
Less than 65%	566	526	749	377	412	627	3,257
65% to 75%	81	80	10	33	—	18	222
Total agricultural mortgage loans	647	606	759	410	412	645	3,479
Residential mortgage loans							
Performing	214	381	413	131	70	1,375	2,584
Nonperforming	2	6	4	—	1	53	66
Total residential mortgage loans	216	387	417	131	71	1,428	2,650
Total	\$ 1,380	\$ 2,970	\$ 2,691	\$ 1,421	\$ 1,733	\$ 5,621	\$ 15,816

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

The loan-to-value ratio is a measure commonly used to assess the quality of commercial and agricultural mortgage loans. The loan-to-value ratio compares the amount of the loan to the estimated fair value of the underlying property collateralizing the loan and is commonly expressed as a percentage. A loan-to-value ratio less than 100% indicates an excess of collateral value over the loan amount. Loan-to-value ratios greater than 100% indicate that the loan amount exceeds the collateral value. Performing status is a measure commonly used to assess the quality of residential mortgage loans. A loan is considered performing when the borrower makes consistent and timely payments.

The amortized cost of commercial mortgage loans by debt-service coverage ratio was as follows at:

	March 31, 2021		December 31, 2020	
	Amortized Cost	% of Total	Amortized Cost	% of Total
(Dollars in millions)				
Debt-service coverage ratios:				
Greater than 1.20x	\$ 9,023	93.9 %	\$ 9,423	97.3 %
1.00x - 1.20x	340	3.5	204	2.1
Less than 1.00x	252	2.6	60	0.6
Total	\$ 9,615	100.0 %	\$ 9,687	100.0 %

The debt-service coverage ratio compares a property's net operating income to its debt-service payments. Debt-service coverage ratios less than 1.00 times indicate that property operations do not generate enough income to cover the loan's current debt payments. A debt-service coverage ratio greater than 1.00 times indicates an excess of net operating income over the debt-service payments.

Past Due Mortgage Loans by Portfolio Segment

The Company has a high-quality, well-performing mortgage loan portfolio, with over 99% of all mortgage loans classified as performing at both March 31, 2021 and December 31, 2020. Delinquency is defined consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days; and agricultural mortgage loans — 90 days. To the extent a payment deferral is agreed to with a borrower, in response to the COVID-19 pandemic, the past due status of the impacted loans during the forbearance period is locked-in as of March 1, 2020, which reflects the date on which the COVID-19 pandemic began to affect the borrower's ability to make payments. At March 31, 2021 and December 31, 2020, \$41 million and \$38 million, respectively, of the COVID-19 pandemic modified loans were classified as delinquent.

The aging of the amortized cost of past due mortgage loans by portfolio segment was as follows at:

	March 31, 2021				December 31, 2020			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
(In millions)								
Current	\$ 9,615	\$ 3,531	\$ 2,451	\$ 15,597	\$ 9,687	\$ 3,479	\$ 2,575	\$ 15,741
30-59 days past due	—	14	7	21	—	—	9	9
60-89 days past due	—	3	26	29	—	—	24	24
90-179 days past due	—	2	32	34	—	—	27	27
180+ days past due	—	—	16	16	—	—	15	15
Total	\$ 9,615	\$ 3,550	\$ 2,532	\$ 15,697	\$ 9,687	\$ 3,479	\$ 2,650	\$ 15,816

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

Mortgage Loans in Nonaccrual Status by Portfolio Segment

Mortgage loans are placed in a nonaccrual status if there are concerns regarding collectability of future payments or the loan is past due, unless the past due loan is well collateralized. To the extent a payment deferral is agreed to with a borrower, in response to the COVID-19 pandemic, the impacted loans generally will not be reported as in a nonaccrual status during the period of deferral. A COVID-19 pandemic modified loan is only reported as a nonaccrual asset in the event a borrower declares bankruptcy, the borrower experiences significant credit deterioration such that the Company does not expect to collect all principal and interest due, or the loan was 90 days past due at the onset of the pandemic. At March 31, 2021 and December 31, 2020, \$41 million and \$38 million, respectively, of the COVID-19 pandemic modified loans were in nonaccrual status.

The amortized cost of mortgage loans in a nonaccrual status by portfolio segment were as follows at:

	Commercial	Agricultural	Residential (1)	Total
	(In millions)			
March 31, 2021	\$ —	\$ 14	\$ 74	\$ 88
December 31, 2020	\$ —	\$ —	\$ 66	\$ 66

(1) The Company had \$10 million and \$7 million of residential mortgage loans in nonaccrual status for which there was no related allowance for credit losses at March 31, 2021 and December 31, 2020, respectively.

Current period investment income on mortgage loans in nonaccrual status was less than \$1 million for both the three months ended March 31, 2021 and 2020.

Modified Mortgage Loans by Portfolio Segment

Under certain circumstances, modifications are granted to nonperforming mortgage loans. Each modification is evaluated to determine if a TDR has occurred. A modification is a TDR when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the amount of debt owed, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring during both the three months ended March 31, 2021 and 2020.

Short-term modifications made on a good faith basis to borrowers who were not more than 30 days past due at December 31, 2019 and in response to the COVID-19 pandemic are not considered TDRs.

Other Invested Assets

Over 90% of other invested assets is comprised of freestanding derivatives with positive estimated fair values. See Note 5 for information about freestanding derivatives with positive estimated fair values. Other invested assets also includes tax credit and renewable energy partnerships, leveraged leases and Federal Home Loan Bank stock.

Leveraged Leases

The carrying value of leveraged leases and the allowance for credit losses were \$50 million and \$13 million, respectively, at both March 31, 2021 and December 31, 2020. Rental receivables are generally due in periodic installments. The payment periods for leveraged leases generally range from one to 12 years. For rental receivables, the primary credit quality indicator is whether the rental receivable is performing or nonperforming, which is assessed monthly. Nonperforming rental receivables are generally defined as those that are 90 days or more past due. At both March 31, 2021 and December 31, 2020, all leveraged leases were performing.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity securities and the effect on DAC, VOBA, deferred sales inducements (“DSI”) and future policy benefits, that would result from the realization of the unrealized gains (losses), are included in net unrealized investment gains (losses) in accumulated other comprehensive income (loss) (“AOCI”).

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

The components of net unrealized investment gains (losses), included in AOCI, were as follows at:

	March 31, 2021	December 31, 2020
	(In millions)	
Fixed maturity securities	\$ 6,836	\$ 11,818
Derivatives	88	162
Other	(18)	(16)
Subtotal	6,906	11,964
Amounts allocated from:		
Future policy benefits	(2,564)	(4,598)
DAC, VOBA and DSI	(293)	(494)
Subtotal	(2,857)	(5,092)
Deferred income tax benefit (expense)	(850)	(1,443)
Net unrealized investment gains (losses)	\$ 3,199	\$ 5,429

The changes in net unrealized investment gains (losses) were as follows:

	Three Months Ended March 31, 2021
	(In millions)
Balance at December 31, 2020	\$ 5,429
Unrealized investment gains (losses) during the period	(5,058)
Unrealized investment gains (losses) relating to:	
Future policy benefits	2,034
DAC, VOBA and DSI	201
Deferred income tax benefit (expense)	593
Balance at March 31, 2021	\$ 3,199
Change in net unrealized investment gains (losses)	\$ (2,230)

Concentrations of Credit Risk

There were no investments in any counterparty that were greater than 10% of the Company's equity, other than the U.S. government and its agencies, at both March 31, 2021 and December 31, 2020.

Securities Lending

Elements of the securities lending program are presented below at:

	March 31, 2021	December 31, 2020
	(In millions)	
Securities on loan: (1)		
Amortized cost	\$ 2,532	\$ 2,373
Estimated fair value	\$ 3,243	\$ 3,603
Cash collateral received from counterparties (2)	\$ 3,330	\$ 3,674
Reinvestment portfolio — estimated fair value	\$ 3,501	\$ 3,830

(1) Included within fixed maturity securities.

(2) Included within payables for collateral under securities loaned and other transactions.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

The cash collateral liability by loaned security type and remaining tenor of the agreements were as follows at:

	March 31, 2021				December 31, 2020			
	Open (1)	1 Month or Less	1 to 6 Months	Total	Open (1)	1 Month or Less	1 to 6 Months	Total
	(In millions)							
U.S. government and agency	\$ 906	\$ 1,709	\$ 714	\$ 3,329	\$ 937	\$ 2,300	\$ 437	\$ 3,674
U.S. corporate	1	—	—	1	—	—	—	—
Total	\$ 907	\$ 1,709	\$ 714	\$ 3,330	\$ 937	\$ 2,300	\$ 437	\$ 3,674

- (1) The related loaned security could be returned to the Company on the next business day which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized in normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open at March 31, 2021 was \$879 million, primarily comprised of U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including agency RMBS, ABS, U.S. government and agency securities, U.S. and foreign corporate securities and non-agency RMBS) with 56% invested in agency RMBS, U.S. government and agency securities and cash and cash equivalents at March 31, 2021. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

Invested Assets on Deposit, Held in Trust and Pledged as Collateral

Invested assets on deposit, held in trust and pledged as collateral at estimated fair value were as follows at:

	March 31, 2021		December 31, 2020	
	(In millions)			
Invested assets on deposit (regulatory deposits) (1)	\$	9,408	\$	10,131
Invested assets held in trust (reinsurance agreements) (2)		5,450		5,711
Invested assets pledged as collateral (3)		5,558		5,595
Total invested assets on deposit, held in trust and pledged as collateral	\$	20,416	\$	21,437

- (1) The Company has assets, primarily fixed maturity securities, on deposit with governmental authorities relating to certain policyholder liabilities, of which \$61 million and \$59 million of the assets on deposit represents restricted cash and cash equivalents at March 31, 2021 and December 31, 2020, respectively.
- (2) The Company has assets, primarily fixed maturity securities, held in trust relating to certain reinsurance transactions, of which \$73 million and \$101 million of the assets held in trust balance represents restricted cash and cash equivalents at March 31, 2021 and December 31, 2020, respectively.
- (3) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 4 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report) and derivative transactions (see Note 5).

See “— Securities Lending” for information regarding securities on loan.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

Variable Interest Entities

The Company has invested in legal entities that are variable interest entities (“VIE”). VIEs are consolidated when the investor is the primary beneficiary. A primary beneficiary is the variable interest holder in a VIE with both the power to (i) direct the activities of the VIE that most significantly impact the economic performance of the VIE and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

There were no material VIEs for which the Company has concluded that it is the primary beneficiary at either March 31, 2021 or December 31, 2020.

The carrying amount and maximum exposure to loss related to the VIEs for which the Company has concluded that it holds a variable interest, but is not the primary beneficiary, were as follows at:

	March 31, 2021		December 31, 2020	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
	(In millions)			
Fixed maturity securities	\$ 13,106	\$ 12,320	\$ 13,494	\$ 12,416
Limited partnerships and LLCs	2,700	3,982	2,307	3,565
Total	\$ 15,806	\$ 16,302	\$ 15,801	\$ 15,981

The Company’s investments in unconsolidated VIEs are described below.

Fixed Maturity Securities

The Company invests in U.S. corporate bonds, foreign corporate bonds and Structured Securities issued by VIEs. The Company is not obligated to provide any financial or other support to these VIEs, other than the original investment. The Company’s involvement with these entities is limited to that of a passive investor. The Company has no unilateral right to appoint or remove the servicer, special servicer, or investment manager, which are generally viewed as having the power to direct the activities that most significantly impact the economic performance of the VIE, nor does the Company function in any of these roles. The Company does not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity; as a result, the Company has determined it is not the primary beneficiary, or consolidator, of the VIE. The Company’s maximum exposure to loss on these fixed maturity securities is limited to the amortized cost of these investments. See “— Fixed Maturity Securities Available-for-sale” for information on these securities.

Limited Partnerships and LLCs

The Company holds investments in certain limited partnerships and LLCs which are VIEs. These ventures include limited partnerships, LLCs, private equity funds, hedge funds, and to a lesser extent tax credit and renewable energy partnerships. The Company is not considered the primary beneficiary, or consolidator, when its involvement takes the form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner’s interest does not provide the Company with any substantive kick-out or participating rights, nor does it provide the Company with the power to direct the activities of the fund. The Company’s maximum exposure to loss on these investments is limited to: (i) the amount invested in debt or equity of the VIE and (ii) commitments to the VIE, as described in Note 9.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

4. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Investment income:		
Fixed maturity securities	\$ 680	\$ 658
Equity securities	1	2
Mortgage loans	163	166
Policy loans	10	6
Limited partnerships and LLCs (1)	338	82
Cash, cash equivalents and short-term investments	1	20
Other	10	13
Total investment income	1,203	947
Less: Investment expenses	34	51
Net investment income	\$ 1,169	\$ 896

(1) Includes net investment income pertaining to other limited partnership interests of \$331 million and \$73 million for the three months ended March 31, 2021 and 2020, respectively.

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

The components of net investment gains (losses) were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Fixed maturity securities	\$ 8	\$ (6)
Equity securities	—	(14)
Mortgage loans	4	(4)
Limited partnerships and LLCs	—	(1)
Other	—	6
Total net investment gains (losses)	\$ 12	\$ (19)

Sales or Disposals of Fixed Maturity Securities

Investment gains and losses on sales of securities are determined on a specific identification basis. Proceeds from sales or disposals of fixed maturity securities and the components of fixed maturity securities net investment gains (losses) were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Proceeds	\$ 1,218	\$ 647
Gross investment gains	\$ 31	\$ 17
Gross investment losses	(17)	(6)
Net investment gains (losses)	\$ 14	\$ 11

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

5. Derivatives

Accounting for Derivatives

See Note 1 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for a description of the Company's accounting policies for derivatives and Note 8 for information about the fair value hierarchy for derivatives.

Derivative Strategies

Types of Derivative Instruments and Derivative Strategies

The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to minimize its exposure to various market risks. Commonly used derivative instruments include, but are not necessarily limited to:

- Interest rate derivatives: swaps, caps, swaptions and forwards;
- Foreign currency exchange rate derivatives: forwards and swaps;
- Equity derivatives: options, total return swaps and variance swaps; and
- Credit derivatives: single and index reference credit default swaps and swaptions.

For detailed information on these contracts and the related strategies, see Note 7 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

5. Derivatives (continued)
Primary Risks Managed by Derivatives

The primary underlying risk exposure, gross notional amount and estimated fair value of derivatives held were as follows at:

Primary Underlying Risk Exposure		March 31, 2021			December 31, 2020		
		Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value	
			Assets	Liabilities		Assets	Liabilities
(In millions)							
Derivatives Designated as Hedging Instruments:							
Cash flow hedges:							
Interest rate forwards	Interest rate	\$ 270	\$ 10	\$ —	\$ 290	\$ 66	\$ —
Foreign currency swaps	Foreign currency exchange rate	2,767	99	107	2,750	122	112
Total qualifying hedges		3,037	109	107	3,040	188	112
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	2,545	333	—	2,295	463	—
Interest rate caps	Interest rate	2,350	9	—	2,350	2	—
Interest rate options	Interest rate	32,340	192	142	25,980	712	122
Interest rate forwards	Interest rate	8,965	78	609	8,086	851	78
Foreign currency swaps	Foreign currency exchange rate	981	67	29	989	85	32
Foreign currency forwards	Foreign currency exchange rate	220	1	—	201	—	—
Credit default swaps — purchased	Credit	18	—	—	18	—	—
Credit default swaps — written	Credit	1,774	38	2	1,755	41	—
Credit default options	Credit	150	—	—	100	—	—
Equity index options	Equity market	30,438	1,092	871	31,576	1,071	838
Equity variance swaps	Equity market	1,098	16	13	1,098	13	20
Equity total return swaps	Equity market	24,428	156	293	15,056	143	822
Total non-designated or non-qualifying derivatives		105,307	1,982	1,959	89,504	3,381	1,912
Embedded derivatives:							
Ceded guaranteed minimum income benefits	Other	N/A	197	—	N/A	283	—
Direct index-linked annuities	Other	N/A	—	4,560	N/A	—	3,855
Direct guaranteed minimum benefits	Other	N/A	—	1,605	N/A	—	2,751
Assumed guaranteed minimum benefits	Other	N/A	—	421	N/A	—	596
Assumed index-linked annuities	Other	N/A	—	385	N/A	—	382
Total embedded derivatives		N/A	197	6,971	N/A	283	7,584
Total		\$ 108,344	\$ 2,288	\$ 9,037	\$ 92,544	\$ 3,852	\$ 9,608

Based on gross notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship at both March 31, 2021 and December 31, 2020. The Company's use of derivatives includes (i) derivatives that serve as macro hedges of the Company's exposure to various risks and generally do not qualify for hedge accounting because they do not meet the criteria required under portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities and generally do not qualify for hedge accounting because they do not meet the criteria of being "highly effective" as outlined in ASC 815; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to create synthetic credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

5. Derivatives (continued)

The amount and location of gains (losses), including earned income, recognized for derivatives and gains (losses) pertaining to hedged items presented in net derivative gains (losses) were as follows:

	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Net Investment Income	Amount of Gains (Losses) Deferred in AOCI
(In millions)				
Three Months Ended March 31, 2021				
Derivatives Designated as Hedging Instruments:				
Cash flow hedges:				
Interest rate derivatives	\$ 1	\$ —	\$ 1	\$ (52)
Foreign currency exchange rate derivatives	5	(3)	8	(15)
Total cash flow hedges	6	(3)	9	(67)
Derivatives Not Designated or Not Qualifying as Hedging Instruments:				
Interest rate derivatives	(1,912)	—	—	—
Foreign currency exchange rate derivatives	(7)	3	—	—
Credit derivatives	3	—	—	—
Equity derivatives	(142)	—	—	—
Embedded derivatives	665	—	—	—
Total non-qualifying hedges	(1,393)	3	—	—
Total	\$ (1,387)	\$ —	\$ 9	\$ (67)
Three Months Ended March 31, 2020				
Derivatives Designated as Hedging Instruments:				
Cash flow hedges:				
Interest rate derivatives	\$ 1	\$ —	\$ 1	\$ 97
Foreign currency exchange rate derivatives	—	—	11	456
Total cash flow hedges	1	—	12	553
Derivatives Not Designated or Not Qualifying as Hedging Instruments:				
Interest rate derivatives	4,921	—	—	—
Foreign currency exchange rate derivatives	132	(7)	—	—
Credit derivatives	(31)	—	—	—
Equity derivatives	1,964	—	—	—
Embedded derivatives	(233)	—	—	—
Total non-qualifying hedges	6,753	(7)	—	—
Total	\$ 6,754	\$ (7)	\$ 12	\$ 553

At both March 31, 2021 and December 31, 2020, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions was three years.

At March 31, 2021 and December 31, 2020, the balance in AOCI associated with cash flow hedges was \$88 million and \$162 million, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

5. Derivatives (continued)

The estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps were as follows at:

Rating Agency Designation of Referenced Credit Obligations (1)	March 31, 2021			December 31, 2020		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)
	(Dollars in millions)					
Aaa/Aa/A	\$ 12	\$ 693	2.7	\$ 15	\$ 683	2.9
Baa	24	1,081	5.5	26	1,072	5.2
Total	\$ 36	\$ 1,774	4.4	\$ 41	\$ 1,755	4.3

(1) The Company has written credit protection on both single name and index references. The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's, S&P and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.

(2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

Counterparty Credit Risk

The Company may be exposed to credit-related losses in the event of counterparty nonperformance on derivative instruments. Generally, the credit exposure is the fair value at the reporting date less any collateral received from the counterparty.

The Company manages its credit risk by: (i) entering into derivative transactions with creditworthy counterparties governed by master netting agreements; (ii) trading through regulated exchanges and central clearing counterparties; (iii) obtaining collateral, such as cash and securities, when appropriate; and (iv) setting limits on single party credit exposures which are subject to periodic management review.

See Note 6 for a description of the impact of credit risk on the valuation of derivatives.

The estimated fair values of net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

	Gross Amount Recognized	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Amount	Securities Collateral Received/Pledged (3)	Net Amount After Securities Collateral
		Financial Instruments (1)	Collateral Received/Pledged (2)			
	(In millions)					
March 31, 2021						
Derivative assets	\$ 2,111	\$ (1,308)	\$ (753)	\$ 50	\$ (43)	\$ 7
Derivative liabilities	\$ 2,052	\$ (1,308)	\$ —	\$ 744	\$ (703)	\$ 41
December 31, 2020						
Derivative assets	\$ 3,574	\$ (1,342)	\$ (1,327)	\$ 905	\$ (840)	\$ 65
Derivative liabilities	\$ 2,010	\$ (1,342)	\$ —	\$ 668	\$ (630)	\$ 38

(1) Represents amounts subject to an enforceable master netting agreement or similar agreement.

(2) The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreement.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

5. Derivatives (continued)

(3) Securities collateral received from counterparties is not reported on the consolidated balance sheets and may not be sold or re-pledged unless the counterparty is in default. Amounts do not include excess of collateral pledged or received.

The Company's collateral arrangements generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the amount owed by that counterparty reaches a minimum transfer amount. Certain of these arrangements also include credit-contingent provisions which permit the party with positive fair value to terminate the derivative at the current fair value or demand immediate full collateralization from the party in a net liability position, in the event that the financial strength or credit rating of the party in a net liability position falls below a certain level.

The aggregate estimated fair values of derivatives in a net liability position containing such credit-contingent provisions and the aggregate estimated fair value of assets posted as collateral for such instruments were as follows at:

	March 31, 2021		December 31, 2020
	(In millions)		
Estimated fair value of derivatives in a net liability position (1)	\$	744	\$ 668
Estimated Fair Value of Collateral Provided (2):			
Fixed maturity securities	\$	1,144	\$ 1,205

(1) After taking into consideration the existence of netting agreements.

(2) Substantially all of the Company's collateral arrangements provide for daily posting of collateral for the full value of the derivative contract. As a result, if the credit-contingent provisions of derivative contracts in a net liability position were triggered, minimal additional assets would be required to be posted as collateral or needed to settle the instruments immediately.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Fair Value

Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy are presented in the tables below. Investments that do not have a readily determinable fair value and are measured at net asset value (or equivalent) as a practical expedient to estimated fair value are excluded from the fair value hierarchy.

	March 31, 2021			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
(In millions)				
Assets				
Fixed maturity securities:				
U.S. corporate	\$ —	\$ 34,976	\$ 472	\$ 35,448
Foreign corporate	—	10,915	195	11,110
U.S. government and agency	2,175	5,488	—	7,663
RMBS	—	7,743	40	7,783
CMBS	—	6,577	—	6,577
State and political subdivision	—	4,521	—	4,521
ABS	—	2,958	86	3,044
Foreign government	—	1,763	—	1,763
Total fixed maturity securities	2,175	74,941	793	77,909
Equity securities	35	63	3	101
Short-term investments	216	96	—	312
Derivative assets: (1)				
Interest rate	—	622	—	622
Foreign currency exchange rate	—	166	1	167
Credit	—	24	14	38
Equity market	—	1,249	15	1,264
Total derivative assets	—	2,061	30	2,091
Embedded derivatives within asset host contracts (2)	—	—	197	197
Separate account assets	81	104,090	2	104,173
Total assets	\$ 2,507	\$ 181,251	\$ 1,025	\$ 184,783
Liabilities				
Derivative liabilities: (1)				
Interest rate	\$ —	\$ 751	\$ —	\$ 751
Foreign currency exchange rate	—	129	7	136
Credit	—	—	2	2
Equity market	—	1,164	13	1,177
Total derivative liabilities	—	2,044	22	2,066
Embedded derivatives within liability host contracts (2)	—	—	6,971	6,971
Total liabilities	\$ —	\$ 2,044	\$ 6,993	\$ 9,037

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Fair Value (continued)

	December 31, 2020				Total Estimated Fair Value
	Fair Value Hierarchy			Level 3	
	Level 1	Level 2	Level 3		
(In millions)					
Assets					
Fixed maturity securities:					
U.S. corporate	\$ —	\$ 36,789	\$ 487	\$ 37,276	
Foreign corporate	—	11,178	197	11,375	
U.S. government and agency	2,108	6,356	—	8,464	
RMBS	—	8,197	22	8,219	
CMBS	—	6,692	5	6,697	
State and political subdivision	—	4,555	—	4,555	
ABS	—	2,841	40	2,881	
Foreign government	—	1,832	—	1,832	
Total fixed maturity securities	2,108	78,440	751	81,299	
Equity securities	31	99	3	133	
Short-term investments	1,669	216	—	1,885	
Derivative assets: (1)					
Interest rate	—	2,094	—	2,094	
Foreign currency exchange rate	—	206	1	207	
Credit	—	27	14	41	
Equity market	—	1,213	14	1,227	
Total derivative assets	—	3,540	29	3,569	
Embedded derivatives within asset host contracts (2)	—	—	283	283	
Separate account assets	86	103,897	3	103,986	
Total assets	\$ 3,894	\$ 186,192	\$ 1,069	\$ 191,155	
Liabilities					
Derivative liabilities: (1)					
Interest rate	\$ —	\$ 200	\$ —	\$ 200	
Foreign currency exchange rate	—	137	7	144	
Equity market	—	1,660	20	1,680	
Total derivative liabilities	—	1,997	27	2,024	
Embedded derivatives within liability host contracts (2)	—	—	7,584	7,584	
Total liabilities	\$ —	\$ 1,997	\$ 7,611	\$ 9,608	

(1) Derivative assets are presented within other invested assets on the consolidated balance sheets and derivative liabilities are presented within other liabilities on the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the consolidated balance sheets.

(2) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances on the consolidated balance sheets.

Valuation Controls and Procedures

The Company monitors and provides oversight of valuation controls and policies for securities, mortgage loans and derivatives, which are primarily executed by its valuation service providers. The valuation methodologies used to determine fair values prioritize the use of observable market prices and market-based parameters and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. The valuation methodologies for securities, mortgage loans and derivatives are reviewed on an ongoing basis and revised when necessary. In addition, the Chief Accounting Officer periodically reports to the Audit Committee of Brighthouse Financial's Board of Directors regarding compliance with fair value accounting standards.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Fair Value (continued)

The fair value of financial assets and financial liabilities is based on quoted market prices, where available. Prices received are assessed to determine if they represent a reasonable estimate of fair value. Several controls are performed, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. Independent non-binding broker quotes, also referred to herein as “consensus pricing,” are used for a non-significant portion of the portfolio. Prices received from independent brokers are assessed to determine if they represent a reasonable estimate of fair value by considering such pricing relative to the current market dynamics and current pricing for similar financial instruments.

A formal process is also applied to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained. If obtaining an independent non-binding broker quotation is unsuccessful, the last available price will be used.

Additional controls are performed, such as, balance sheet analytics to assess reasonableness of period-to-period pricing changes, including any price adjustments. Price adjustments are applied if prices or quotes received from independent pricing services or brokers are not considered reflective of market activity or representative of estimated fair value. The Company did not have significant price adjustments during the three months ended March 31, 2021.

Determination of Fair Value

Fixed Maturity Securities

The fair values for actively traded marketable bonds, primarily U.S. government and agency securities, are determined using the quoted market prices and are classified as Level 1 assets. For fixed maturity securities classified as Level 2 assets, fair values are determined using either a market or income approach and are valued based on a variety of observable inputs as described below.

U.S. corporate and foreign corporate securities: Fair value is determined using third-party commercial pricing services, with the primary inputs being quoted prices in markets that are not active, benchmark yields, spreads off benchmark yields, new issuances, issuer rating, trades of identical or comparable securities, or duration. Privately-placed securities are valued using the additional key inputs: market yield curve, call provisions, observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer, and delta spread adjustments to reflect specific credit-related issues.

U.S. government and agency, state and political subdivision and foreign government securities: Fair value is determined using third-party commercial pricing services, with the primary inputs being quoted prices in markets that are not active, benchmark U.S. Treasury yield or other yields, spread off the U.S. Treasury yield curve for the identical security, issuer ratings and issuer spreads, broker-dealer quotes, and comparable securities that are actively traded.

Structured Securities: Fair value is determined using third-party commercial pricing services, with the primary inputs being quoted prices in markets that are not active, spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, ratings, geographic region, weighted average coupon and weighted average maturity, average delinquency rates and debt-service coverage ratios. Other issuance-specific information is also used, including, but not limited to; collateral type, structure of the security, vintage of the loans, payment terms of the underlying asset, payment priority within tranche, and deal performance.

Equity Securities and Short-term Investments

The fair value for actively traded equity securities and short-term investments are determined using quoted market prices and are classified as Level 1 assets. For financial instruments classified as Level 2 assets, fair values are determined using a market approach and are valued based on a variety of observable inputs as described below.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Fair Value (continued)

Equity securities and short-term investments: Fair value is determined using third-party commercial pricing services, with the primary input being quoted prices in markets that are not active.

Derivatives

Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter (“OTC”) market. Certain of the Company’s OTC derivatives are cleared and settled through central clearing counterparties (“OTC-cleared”), while others are bilateral contracts between two counterparties (“OTC-bilateral”).

The fair values for exchange-traded derivatives are determined using the quoted market prices and are classified as Level 1 assets. For OTC-bilateral derivatives and OTC-cleared derivatives classified as Level 2 assets or liabilities, fair values are determined using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models which are based on market standard valuation methodologies and a variety of observable inputs.

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs, may have a material effect on the estimated fair values of the Company’s derivatives and could materially affect net income.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company’s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Embedded Derivatives

Embedded derivatives principally include certain direct and ceded variable annuity guarantees and equity crediting rates within index-linked annuity contracts. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The Company issues certain variable annuity products with guaranteed minimum benefits. Guaranteed minimum accumulation benefits (“GMAB”), the non-life contingent portion of GMWBs and certain portions of GMIBs are accounted for as embedded derivatives and measured at estimated fair value separately from the host variable annuity contract. These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets, with changes in estimated fair value reported in net derivative gains (losses).

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6. Fair Value (continued)

The Company determines the fair value of these embedded derivatives by estimating the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations of policyholder behavior. The calculation is based on in-force business and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates. The percentage of fees included in the initial fair value measurement is not updated in subsequent periods.

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly-traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for BHF's debt. These observable spreads are then adjusted to reflect the priority of these liabilities and claims-paying ability of the issuing insurance subsidiaries as compared to BHF's overall financial strength.

Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees.

The Company issues and assumes through reinsurance index-linked annuities which allow the policyholder to participate in returns from equity indices. The crediting rates associated with these features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The estimated fair value of crediting rates associated with index-linked annuities is determined using a combination of an option pricing model and an option-budget approach. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

Transfers Into or Out of Level 3:

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

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6. Fair Value (continued)

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

Certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were as follows at:

	Valuation Techniques	Significant Unobservable Inputs	March 31, 2021		December 31, 2020		Impact of Increase in Input on Estimated Fair Value
			Range		Range		
Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates	0.03%	- 12.13%	0.03%	- 12.13%	Decrease (1)
		• Lapse rates	0.25%	- 15.00%	0.25%	- 15.00%	Decrease (2)
		• Utilization rates	0.00%	- 25.00%	0.00%	- 25.00%	Increase (3)
		• Withdrawal rates	0.25%	- 10.00%	0.25%	- 10.00%	(4)
		• Long-term equity volatilities	16.66%	- 22.21%	16.66%	- 22.21%	Increase (5)
		• Nonperformance risk spread	0.25%	- 1.45%	0.47%	- 1.97%	Decrease (6)

- (1) Mortality rates vary by age and by demographic characteristics such as gender. The range shown reflects the mortality rate for policyholders between 35 and 90 years old, which represents the majority of the business with living benefits. Mortality rate assumptions are set based on company experience and include an assumption for mortality improvement.
- (2) The range shown reflects base lapse rates for major product categories for duration 1-20, which represents majority of business with living benefit riders. Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in-the-money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies.
- (3) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible in a given year. The range shown represents the floor and cap of the GMIB dynamic election rates across varying levels of in-the-money. For lifetime withdrawal guarantee riders, the assumption is that everyone will begin withdrawals once account value reaches zero which is equivalent to a 100% utilization rate. Utilization rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract's withdrawal history and by the age of the policyholder.
- (4) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.
- (5) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (6) Nonperformance risk spread varies by duration. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The Company does not develop unobservable inputs used in measuring fair value for all other assets and liabilities classified within Level 3; therefore, these are not included in the table above. The other Level 3 assets and liabilities primarily included fixed maturity securities and derivatives. For fixed maturity securities valued based on non-binding broker quotes, an increase (decrease) in credit spreads would result in a higher (lower) fair value. For derivatives valued based on third-party pricing models, an increase (decrease) in credit spreads would generally result in a higher (lower) fair value.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Fair Value (continued)

The changes in assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3) were summarized as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)										
Fixed Maturity Securities										
Corporate (1)	Structured Securities	State and Political Subdivision	Foreign Government	Equity Securities	Short-term Investments	Net Derivatives (2)	Net Embedded Derivatives (3)	Separate Account Assets (4)		
(In millions)										
Three Months Ended March 31, 2021										
Balance, beginning of period	\$ 684	\$ 67	\$ —	\$ —	\$ 3	\$ —	\$ 2	\$ (7,301)	\$ 3	
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	(1)	—	—	—	—	8	665	—		
Total realized/unrealized gains (losses) included in AOCI	(22)	—	—	—	—	(1)	—	—		
Purchases (7)	118	80	—	—	—	(2)	—	—		
Sales (7)	(4)	(3)	—	—	—	—	—	—	(1)	
Issuances (7)	—	—	—	—	—	—	—	—	—	
Settlements (7)	—	—	—	—	—	—	(138)	—		
Transfers into Level 3 (8)	4	3	—	—	—	—	—	—		
Transfers out of Level 3 (8)	(112)	(21)	—	—	—	1	—	—		
Balance, end of period	\$ 667	\$ 126	\$ —	\$ —	\$ 3	\$ —	\$ 8	\$ (6,774)	\$ 2	
Three Months Ended March 31, 2020										
Balance, beginning of period	\$ 457	\$ 117	\$ 73	\$ —	\$ 8	\$ 5	\$ 16	\$ (4,365)	\$ 3	
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	(2)	—	—	—	—	1	(233)	—		
Total realized/unrealized gains (losses) included in AOCI	(44)	(8)	—	—	—	31	—	(1)		
Purchases (7)	249	65	—	7	—	—	—	—	1	
Sales (7)	(11)	(6)	(1)	—	—	(3)	2	—	—	
Issuances (7)	—	—	—	—	—	—	—	—	—	
Settlements (7)	—	—	—	—	—	—	(149)	—		
Transfers into Level 3 (8)	220	68	—	—	—	—	—	—	1	
Transfers out of Level 3 (8)	(31)	(18)	—	—	(4)	—	—	—	—	
Balance, end of period	\$ 838	\$ 218	\$ 72	\$ 7	\$ 4	\$ 2	\$ 50	\$ (4,747)	\$ 4	
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at March 31, 2021 (9)	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8	\$ 663	\$ —	
Changes in unrealized gains (losses) included in other comprehensive income for the instruments still held at March 31, 2021 (9)	\$ (22)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ —	
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at March 31, 2020 (9)	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ (242)	\$ —	
Changes in unrealized gains (losses) included in other comprehensive income for the instruments still held at March 31, 2020 (9)	\$ (44)	\$ (8)	\$ —	\$ —	\$ —	\$ —	\$ 30	\$ —	\$ —	

(1) Comprised of U.S. and foreign corporate securities.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Fair Value (continued)

- (2) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
- (3) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
- (4) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contract holders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income (loss). For the purpose of this disclosure, these changes are presented within net investment gains (losses).
- (5) Amortization of premium/accretion of discount is included within net investment income. Changes in the allowance for credit losses and direct write-offs are charged to net income (loss) on securities are included in net investment gains (losses). Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).
- (6) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.
- (7) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.
- (8) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.
- (9) Changes in unrealized gains (losses) included in net income (loss) for fixed maturities are reported in either net investment income or net investment gains (losses). Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions and those short-term investments that are not securities and therefore are not included in the three level hierarchy table disclosed in the “— Recurring Fair Value Measurements” section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

	March 31, 2021				
	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value
		Level 1	Level 2	Level 3	
(In millions)					
Assets					
Mortgage loans	\$ 15,607	\$ —	\$ —	\$ 16,453	\$ 16,453
Policy loans	\$ 844	\$ —	\$ 454	\$ 537	\$ 991
Other invested assets	\$ 55	\$ —	\$ 40	\$ 15	\$ 55
Premiums, reinsurance and other receivables	\$ 3,147	\$ —	\$ 60	\$ 3,771	\$ 3,831
Liabilities					
Policyholder account balances	\$ 17,703	\$ —	\$ —	\$ 18,738	\$ 18,738
Long-term debt	\$ 842	\$ —	\$ 37	\$ 993	\$ 1,030
Other liabilities	\$ 1,126	\$ —	\$ 288	\$ 848	\$ 1,136
Separate account liabilities	\$ 1,358	\$ —	\$ 1,358	\$ —	\$ 1,358

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Fair Value (continued)

	December 31, 2020					Total Estimated Fair Value
	Carrying Value	Fair Value Hierarchy			Level 3	
		Level 1	Level 2	Level 3		
(In millions)						
Assets						
Mortgage loans	\$ 15,722	\$ —	\$ —	\$ 16,836	\$ 16,836	
Policy loans	\$ 884	\$ —	\$ 475	\$ 881	\$ 1,356	
Other invested assets	\$ 54	\$ —	\$ 39	\$ 15	\$ 54	
Premiums, reinsurance and other receivables	\$ 3,114	\$ —	\$ 90	\$ 3,808	\$ 3,898	
Liabilities						
Policyholder account balances	\$ 17,361	\$ —	\$ —	\$ 18,962	\$ 18,962	
Long-term debt	\$ 843	\$ —	\$ 39	\$ 1,031	\$ 1,070	
Other liabilities	\$ 891	\$ —	\$ 121	\$ 787	\$ 908	
Separate account liabilities	\$ 1,331	\$ —	\$ 1,331	\$ —	\$ 1,331	

7. Equity
Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Three Months Ended March 31, 2021			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Total
	(In millions)			
Balance at December 31, 2020	\$ 5,321	\$ 108	\$ (8)	\$ 5,421
OCI before reclassifications	(2,737)	(67)	(8)	(2,812)
Deferred income tax benefit (expense)	575	14	2	591
AOCI before reclassifications, net of income tax	3,159	55	(14)	3,200
Amounts reclassified from AOCI	(12)	(7)	—	(19)
Deferred income tax benefit (expense)	3	1	—	4
Amounts reclassified from AOCI, net of income tax	(9)	(6)	—	(15)
Balance at March 31, 2021	\$ 3,150	\$ 49	\$ (14)	\$ 3,185

	Three Months Ended March 31, 2020			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Total
	(In millions)			
Balance at December 31, 2019	\$ 3,066	\$ 163	\$ (14)	\$ 3,215
OCI before reclassifications (2)	(1,509)	553	(6)	(962)
Deferred income tax benefit (expense)	318	(116)	—	202
AOCI before reclassifications, net of income tax	1,875	600	(20)	2,455
Amounts reclassified from AOCI	(10)	(2)	—	(12)
Deferred income tax benefit (expense)	2	—	—	2
Amounts reclassified from AOCI, net of income tax	(8)	(2)	—	(10)
Balance at March 31, 2020	\$ 1,867	\$ 598	\$ (20)	\$ 2,445

(1) See Note 4 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI.

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(2) Includes \$3 million related to the adoption of the allowance for credit losses guidance.

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Amounts Reclassified from AOCI		Consolidated Statements of Operations and Comprehensive Income (Loss) Locations
	Three Months Ended March 31,		
	2021	2020	
	(In millions)		
Net unrealized investment gains (losses):			
Net unrealized investment gains (losses)	\$ 15	\$ 12	Net investment gains (losses)
Net unrealized investment gains (losses)	(3)	(2)	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	12	10	
Income tax (expense) benefit	(3)	(2)	
Net unrealized investment gains (losses), net of income tax	9	8	
Unrealized gains (losses) on derivatives - cash flow hedges:			
Interest rate swaps	1	1	Net derivative gains (losses)
Interest rate swaps	1	1	Net investment income
Foreign currency swaps	5	—	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	7	2	
Income tax (expense) benefit	(1)	—	
Gains (losses) on cash flow hedges, net of income tax	6	2	
Total reclassifications, net of income tax	\$ 15	\$ 10	

8. Other Revenues and Other Expenses

Other Revenues

The Company has entered into contracts with mutual funds, fund managers, and their affiliates (collectively, the “Funds”) whereby the Company is paid monthly or quarterly fees (“12b-1 fees”) for providing certain services to customers and distributors of the Funds. The 12b-1 fees are generally equal to a fixed percentage of the average daily balance of the customer’s investment in a fund. The percentage is specified in the contract between the Company and the Funds. Payments are generally collected when due and are neither refundable nor able to offset future fees.

To earn these fees, the Company performs services such as responding to phone inquiries, maintaining records, providing information to distributors and shareholders about fund performance and providing training to account managers and sales agents. The passage of time reflects the satisfaction of the Company’s performance obligations to the Funds and is used to recognize revenue associated with 12b-1 fees.

Other revenues consisted primarily of 12b-1 fees of \$65 million and \$59 million for the three months ended March 31, 2021 and 2020, respectively, of which substantially all were reported in the Annuities segment.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

8. Other Revenues and Other Expenses (continued)

Other Expenses

Information on other expenses was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Compensation	\$ 85	\$ 73
Contracted services and other labor costs	53	61
Transition services agreements	30	36
Establishment costs	16	40
Premium and other taxes, licenses and fees	13	11
Volume related costs, excluding compensation, net of DAC capitalization	158	122
Interest expense on debt	17	17
Other	52	50
Total other expenses	<u>\$ 424</u>	<u>\$ 410</u>

Related Party Expenses

See Note 10 for a discussion of related party expenses included in the table above.

9. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a number of litigation matters. In some of the matters, large or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at March 31, 2021.

Matters as to Which an Estimate Can Be Made

For some loss contingency matters, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. In addition to amounts accrued for probable and reasonably estimable losses, as of March 31, 2021, the Company estimates the aggregate range of reasonably possible losses to be up to approximately \$10 million.

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9. Contingencies, Commitments and Guarantees (continued)

Matters as to Which an Estimate Cannot Be Made

For other matters, the Company is not currently able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

Sales Practices Claims

Over the past several years, the Company has faced claims and regulatory inquiries and investigations, alleging improper marketing or sales of individual life insurance policies, annuities or other products. The Company continues to defend vigorously against the claims in these matters. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices matters.

Cost of Insurance Class Actions

Richard A. Newton v. Brighthouse Life Insurance Company (U.S. District Court, Northern District of Georgia, Atlanta Division, filed May 8, 2020). Plaintiff has filed a purported class action lawsuit against Brighthouse Life Insurance Company. Plaintiff was the owner of a universal life insurance policy issued by Travelers Insurance Company, a predecessor to Brighthouse Life Insurance Company. Plaintiff seeks to certify a class of all persons who own or owned life insurance policies issued where the terms of the life insurance policy provide or provided, among other things, a guarantee that the cost of insurance rates would not be increased by more than a specified percentage in any contract year. Plaintiff alleges, among other things, causes of action for breach of contract, fraud, suppression and concealment, and violation of the Georgia Racketeer Influenced and Corrupt Organizations Act. Plaintiff seeks to recover damages, including punitive damages, interest and treble damages, attorneys' fees, and injunctive and declaratory relief. Brighthouse Life Insurance Company filed a motion to dismiss in June 2020, which was granted in part and denied in part. Plaintiff was granted leave to amend the complaint. The Company intends to vigorously defend this matter.

Lawrence Martin v. Brighthouse Life Insurance Company and Brighthouse Life Insurance Company of NY (U.S. District Court, Southern District of New York, filed April 6, 2021). Plaintiff has filed a purported class action lawsuit against Brighthouse Life Insurance Company and Brighthouse Life Insurance Company of NY. Plaintiff is the owner of a universal life insurance policy issued by Travelers Insurance Company, a predecessor to Brighthouse Life Insurance Company. Plaintiff seeks to certify a class of similarly situated owners of universal life insurance policies issued or administered by defendants and alleges that cost of insurance charges should have decreased over time due to improving mortality but did not. Plaintiff alleges, among other things, causes of action for breach of contract, breach of the covenant of good faith and fair dealing, and unjust enrichment. Plaintiff seeks to recover compensatory damages, attorney's fees, interest, and equitable relief including a constructive trust. The Company intends to vigorously defend this matter.

Summary

Various litigations, claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's consolidated financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, investor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, large or indeterminate amounts, including punitive and treble damages, are sought. Although, in light of these considerations, it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

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9. Contingencies, Commitments and Guarantees (continued)

Other Contingencies

As with litigation and regulatory loss contingencies, the Company considers establishing liabilities for certain non-litigation loss contingencies when assertions are made involving disputes or other matters with counterparties to contractual arrangements entered into by the Company, including with third-party vendors. The Company establishes liabilities for such non-litigation loss contingencies when it is probable that a loss will be incurred and the amount of the loss can be reasonably estimated. In matters where it is not probable, but is reasonably possible that a loss will be incurred and the amount of loss can be reasonably estimated, such losses or range of losses are disclosed, and no accrual is made. In the absence of sufficient information to support an assessment of the reasonably possible loss or range of loss, no accrual is made and no loss or range of loss is disclosed.

Disputes have arisen with counterparties in connection with reinsurance arrangements where the Company is acting as either the reinsured or the reinsurer. These disputes involve assertions by third parties primarily related to rates, fees or reinsured benefit calculations, and in certain of such disputes the counterparty has made a request to arbitrate the dispute.

As of March 31, 2021, the Company estimates the amount of reasonably possible losses in excess of the amounts accrued for certain non-litigation loss contingencies to be up to approximately \$125 million, which are primarily associated with reinsurance-related matters. For certain other reinsurance-related matters, the Company is not currently able to estimate the reasonably possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of such loss.

On a quarterly and annual basis, the Company reviews relevant information with respect to non-litigation contingencies and, when applicable, updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were \$279 million and \$210 million at March 31, 2021 and December 31, 2020, respectively.

Commitments to Fund Partnership Investments and Private Corporate Bond Investments

The Company commits to fund partnership investments and to lend funds under private corporate bond investments. The amounts of these unfunded commitments were \$2.0 billion and \$1.7 billion at March 31, 2021 and December 31, 2020, respectively.

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from \$6 million to \$112 million, with a cumulative maximum of \$118 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees, or commitments.

In addition, the Company indemnifies its directors and officers as provided in its charters and bylaws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

9. Contingencies, Commitments and Guarantees (continued)

The Company's recorded liabilities were \$1 million at both March 31, 2021 and December 31, 2020 for indemnities, guarantees and commitments.

10. Related Party Transactions

The Company has various existing arrangements with its Brighthouse Financial affiliates and had previous arrangements with MetLife, Inc. (together with its subsidiaries and affiliates, "MetLife") for services necessary to conduct its activities. Certain of the MetLife services have continued, however, MetLife ceased to be a related party in June 2018. See Note 8 for amounts related to continuing transition services. Other material arrangements between the Company and its related parties not disclosed elsewhere are as follows:

Reinsurance Agreements

The Company enters into reinsurance agreements primarily as a purchaser of reinsurance for its various insurance products and also as a provider of reinsurance for some insurance products issued by related parties. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

Information regarding the significant effects of assumed reinsurance with New England Life Insurance Company ("NELICO"), an affiliate, included on the interim condensed consolidated statements of operations and comprehensive income (loss) was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Premiums	\$ 2	\$ —
Universal life and investment-type product policy fees	\$ 2	\$ 2
Other revenues	\$ 1	\$ —
Policyholder benefits and claims	\$ 7	\$ 17
Other expenses	\$ (4)	\$ (5)

Information regarding the significant effects of assumed reinsurance with NELICO included on the interim condensed consolidated balance sheets was as follows at:

	March 31, 2021	December 31, 2020
	(In millions)	
Assets		
Premiums, reinsurance and other receivables (net of allowance for credit losses)	\$ 26	\$ 24
Liabilities		
Future policy benefits	\$ 119	\$ 120
Policyholder account balances	\$ 421	\$ 596
Other policy-related balances	\$ 19	\$ 10
Other liabilities	\$ 5	\$ 9

The Company assumes risks from NELICO related to guaranteed minimum benefits written directly by the cedent. The assumed reinsurance agreements contain embedded derivatives and changes in the estimated fair value are included within net derivative gains (losses). The embedded derivatives associated with these agreements are included within policyholder account balances and were \$421 million and \$596 million at March 31, 2021 and December 31, 2020, respectively. Net derivative gains (losses) associated with the embedded derivatives were \$176 million and (\$266) million for the three months ended March 31, 2021 and 2020, respectively.

Brighthouse Life Insurance Company
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

10. Related Party Transactions (continued)

Shared Services and Overhead Allocations

Brighthouse Services, LLC, an affiliate, currently provides the Company certain services, which include, but are not limited to, treasury, financial planning and analysis, legal, human resources, tax planning, internal audit, financial reporting and information technology. Revenues received from an affiliate related to these agreements, recorded in universal life and investment-type product policy fees, were \$57 million and \$53 million for the three months ended March 31, 2021 and 2020, respectively. Costs incurred under these arrangements were \$228 million and \$256 million for the three months ended March 31, 2021 and 2020, respectively, and were recorded in other expenses.

Included in these costs were those incurred related to the establishment of services and infrastructure to replace those previously provided by MetLife. The Company incurred costs of \$0 and \$22 million for the three months ended March 31, 2021 and 2020, respectively. The Company has been charged a fee to reflect the value of the available infrastructure and services provided by these costs. While management believes the method used to allocate expenses under this arrangement has been reasonable, the allocated expenses may not have been indicative of those of a standalone entity. These establishment costs were fully allocated as of December 31, 2020.

The Company had net receivables from/(payables to) affiliates, related to the items discussed above, of (\$63) million and (\$21) million at March 31, 2021 and December 31, 2020, respectively.

Broker-Dealer Transactions

The related party expense for the Company was commissions paid on the sale of variable products and passed through to the broker-dealer affiliate. The related party revenue for the Company was fee income passed through the broker-dealer affiliate from trusts and mutual funds whose shares serve as investment options of policyholders of the Company. Fee income received related to these transactions and recorded in other revenues was \$55 million and \$50 million for the three months ended March 31, 2021 and 2020, respectively. Commission expenses incurred related to these transactions and recorded in other expenses was \$236 million and \$204 million for the three months ended March 31, 2021 and 2020, respectively. The Company also had related party fee income receivables of \$19 million and \$18 million at March 31, 2021 and December 31, 2020, respectively.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Index to Management’s Discussion and Analysis of Financial Condition and Results of Operations

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Introduction

For purposes of this discussion, unless otherwise mentioned or unless the context indicates otherwise, “BLIC,” the “Company,” “we,” “our” and “us” refer to Brighthouse Life Insurance Company, a Delaware corporation originally incorporated in Connecticut in 1863, and its subsidiaries. Brighthouse Life Insurance Company is a wholly-owned subsidiary of Brighthouse Holdings, LLC and an indirect wholly-owned subsidiary of Brighthouse Financial, Inc. (together with its subsidiaries and affiliates, “Brighthouse Financial”). Management’s narrative analysis of the results of operations is presented pursuant to General Instruction H(2)(a) of Form 10-Q. This narrative analysis should be read in conjunction with (i) the Interim Condensed Consolidated Financial Statements and related notes included elsewhere herein; (ii) our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the U.S. Securities and Exchange Commission (“SEC”) on March 3, 2021 (the “2020 Annual Report”); and (iii) our current reports on Form 8-K filed in 2021.

Overview

We offer a range of individual annuities and individual life insurance products. We are licensed and regulated in each U.S. jurisdiction where we conduct insurance business. Brighthouse Life Insurance Company is licensed to issue insurance products in all U.S. states (except New York), the District of Columbia, the Bahamas, Guam, Puerto Rico, the British Virgin Islands and the U.S. Virgin Islands. Our insurance subsidiary, Brighthouse Life Insurance Company of NY (“BHNY”), is only licensed to issue insurance products in New York.

For operating purposes, we have established three segments: (i) Annuities, (ii) Life and (iii) Run-off, which consists of products that are no longer actively sold and are separately managed. In addition, we report certain of our results of operations in Corporate & Other. See “Business — Segments and Corporate & Other” included in our 2020 Annual Report, as well as Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding our segments and Corporate & Other.

COVID-19 Pandemic

We continue to closely monitor developments related to the worldwide pandemic sparked by the novel coronavirus (“COVID-19 pandemic”), which has negatively impacted us in certain respects. At this time, it continues to not be possible to estimate the severity or duration of the pandemic, including the severity, duration and frequency of any additional “waves” of the pandemic or the efficacy of any therapeutic treatments and vaccines for COVID-19, including their efficacy with respect to variants of COVID-19 that have emerged or could emerge in the future. It is likewise not possible to predict or estimate the longer-term effects of the pandemic, or any actions taken to contain or address the pandemic, on the economy at large and on our business, financial condition, results of operations and prospects, including the impact on our investment portfolio and our ratings, or the need for us in the future to revisit or revise aspects of our business model or targets previously provided to the markets. See “Business — Regulation,” “Risk Factors — Risks Related to Our Business — The ongoing COVID-19 pandemic could materially adversely affect our business, financial condition and results of operations, including our capitalization and liquidity” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — COVID-19 Pandemic” included in our 2020 Annual Report, as well as Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements.

Regulatory Developments

We, including our insurance subsidiary, BHNY, and our reinsurance subsidiary, Brighthouse Reinsurance Company of Delaware, are regulated primarily at the state level, with some products and services also subject to federal regulation. In addition, Brighthouse Life Insurance Company and its affiliates are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. Furthermore, some of our operations, products and services are subject to the Employee Retirement Income Security Act of 1974, consumer protection laws, securities, broker-dealer and investment advisor regulations, as well as environmental and unclaimed property laws and regulations. See “Business — Regulation,” as well as “Risk Factors — Regulatory and Legal Risks” included in our 2020 Annual Report, as may be amended or supplemented by our subsequent Quarterly Reports under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Developments.”

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the Interim Condensed Consolidated Financial Statements.

The most critical estimates include those used in determining:

- liabilities for future policy benefits;
- amortization of deferred policy acquisition costs (“DAC”);
- estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation; and
- measurement of income taxes and the valuation of deferred tax assets.

In applying our accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to our business and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates” and Note 1 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report.

Non-GAAP Disclosures

Our definitions of the non-GAAP measures may differ from those used by other companies.

Non-GAAP Financial Disclosures

Adjusted Earnings

In this report, we present adjusted earnings, which excludes net income (loss) attributable to noncontrolling interests, as a measure of our performance that is not calculated in accordance with GAAP. We believe the presentation of adjusted earnings, as the Company measures it for management purposes, enhances the understanding of its performance by the investor community and contract holders by highlighting the results of operations and the underlying profitability drivers of our business. However, adjusted earnings should not be viewed as a substitute for net income (loss) attributable to Brighthouse Life Insurance Company, which is the most directly comparable financial measure calculated in accordance with GAAP. See “— Results of Operations” for a reconciliation of adjusted earnings to net income (loss) attributable to Brighthouse Life Insurance Company.

Adjusted earnings, which may be positive or negative, is used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. This financial measure focuses on our primary businesses principally by excluding the impact of market volatility, which could distort trends.

The following are significant items excluded from total revenues, net of income tax, in calculating adjusted earnings:

- Net investment gains (losses);
- Net derivative gains (losses) except earned income and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment (“Investment Hedge Adjustments”); and
- Certain variable annuity guaranteed minimum income benefits (“GMIB”) fees (“GMIB Fees”).

The following are significant items excluded from total expenses, net of income tax, in calculating adjusted earnings:

- Amounts associated with benefits related to GMIBs (“GMIB Costs”);
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”); and
- Amortization of DAC and value of business acquired (“VOBA”) related to (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned is calculated net of the statutory tax rate, which could differ from our effective tax rate.

We present adjusted earnings in a manner consistent with management’s view of the primary business activities that drive the profitability of our core businesses. The following table illustrates how each component of adjusted earnings is calculated from the GAAP statement of operations line items:

Component of Adjusted Earnings	How Derived from GAAP (1)
(i) Fee income	(i) <i>Universal life and investment-type policy fees</i> (excluding (a) unearned revenue adjustments related to net investment gains (losses) and net derivative gains (losses) and (b) GMIB Fees) plus <i>Other revenues</i> (excluding other revenues associated with related party reinsurance) and amortization of deferred gain on reinsurance.
(ii) Net investment spread	(ii) <i>Net investment income</i> plus Investment Hedge Adjustments and interest received on ceded fixed annuity reinsurance deposit funds reduced by <i>Interest credited to policyholder account balances</i> and interest on future policy benefits.
(iii) Insurance-related activities	(iii) <i>Premiums less Policyholder benefits and claims</i> (excluding (a) GMIB Costs, (b) Market Value Adjustments, (c) interest on future policy benefits and (d) amortization of deferred gain on reinsurance) plus the pass through of performance of ceded separate account assets.
(iv) Amortization of DAC and VOBA	(iv) <i>Amortization of DAC and VOBA</i> (excluding amounts related to (a) net investment gains (losses), (b) net derivative gains (losses), (c) GMIB Fees and GMIB Costs and (d) Market Value Adjustments).
(v) Other expenses, net of DAC capitalization	(v) <i>Other expenses</i> reduced by capitalization of DAC.
(vi) Provision for income tax expense (benefit)	(vi) Tax impact of the above items.

(1) Italicized items indicate GAAP statement of operations line items.

Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance. Accordingly, we report adjusted earnings by segment in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

Results of Operations

Consolidated Results for the Three Months Ended March 31, 2021 and 2020

Unless otherwise noted, all amounts in the following discussions of our results of operations are stated before income tax except for adjusted earnings, which are presented net of income tax.

	Three Months Ended March 31,	
	2021	2020
(In millions)		
Revenues		
Premiums	\$ 181	\$ 191
Universal life and investment-type product policy fees	743	701
Net investment income	1,169	896
Other revenues	96	84
Net investment gains (losses)	12	(19)
Net derivative gains (losses)	(1,387)	6,747
Total revenues	814	8,600
Expenses		
Policyholder benefits and claims	644	1,133
Interest credited to policyholder account balances	290	251
Capitalization of DAC	(113)	(97)
Amortization of DAC and VOBA	50	702
Interest expense on debt	17	17
Other expenses	520	490
Total expenses	1,408	2,496
Income (loss) before provision for income tax	(594)	6,104
Provision for income tax expense (benefit)	(141)	1,265
Net income (loss)	(453)	4,839
Less: Net income (loss) attributable to noncontrolling interests	—	—
Net income (loss) attributable to Brighthouse Life Insurance Company	\$ (453)	\$ 4,839

The components of net income (loss) were as follows:

	Three Months Ended March 31,	
	2021	2020
(In millions)		
GMLB Riders	\$ (243)	\$ 4,244
Other derivative instruments	(956)	1,719
Net investment gains (losses)	12	(19)
Other adjustments	37	(72)
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests	556	232
Income (loss) attributable to Brighthouse Life Insurance Company before provision for income tax	(594)	6,104
Provision for income tax expense (benefit)	(141)	1,265
Net income (loss) attributable to Brighthouse Life Insurance Company	\$ (453)	\$ 4,839

Three Months Ended March 31, 2021 Compared with the Three Months Ended March 31, 2020

Loss before provision for income tax was \$594 million (\$453 million, net of income tax), a decrease of \$6.7 billion (\$5.3 billion, net of income tax) from income before provision for income tax of \$6.1 billion (\$4.8 billion, net of income tax) in the prior period.

The decrease in income before provision for income tax was driven by the following unfavorable items:

- losses from guaranteed minimum living benefits (“GMLB”) riders (“GMLB Riders”), see “— GMLB Riders for the Three Months Ended March 31, 2021 and 2020”; and

- current period losses on interest rate derivatives that we use to hedge our universal life with secondary guarantees (“ULSG”) business due to the increase in the benchmark long-term interest rate, which unfavorably impacted bond forwards and interest rate swaps.

The decrease in income before provision for income tax was partially offset by the following favorable items:

- higher pre-tax adjusted earnings, discussed in greater detail below;
- lower policyholder benefits and claims, included in other adjustments, resulting from the adjustment for market performance related to participating products in our run-off business; and
- higher net investment gains (losses) reflecting:
 - lower current period mark-to-market losses on equity securities;
 - lower current period write-downs on fixed maturity securities;
 - net gains due to a release in mortgage loan reserves in the current period compared to an increase in reserves in the prior period; and
 - higher gains on sales of fixed maturity securities.

The provision for income tax, expressed as a percentage of income (loss) before provision for income tax, resulted in an effective tax rate of 24% in the current period compared to 21% in the prior period. The increase in the effective tax rate in the current period is driven by higher pre-tax adjusted earnings, discussed in greater detail below. Our effective tax rate differs from the statutory tax rate primarily due to the impacts of the dividends received deduction and tax credits.

Reconciliation of Net Income (Loss) to Adjusted Earnings

The reconciliation of net income (loss) attributable to Brighthouse Life Insurance Company to adjusted earnings was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Net income (loss) attributable to Brighthouse Life Insurance Company	\$ (453)	\$ 4,839
Add: Provision for income tax expense (benefit)	(141)	1,265
Income (loss) attributable to Brighthouse Life Insurance Company before provision for income tax	(594)	6,104
Less: GMLB Riders	(243)	4,244
Less: Other derivative instruments	(956)	1,719
Less: Net investment gains (losses)	12	(19)
Less: Other adjustments	37	(72)
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests	556	232
Less: Provision for income tax expense (benefit)	101	32
Adjusted earnings	\$ 455	\$ 200

Consolidated Results for the Three Months Ended March 31, 2021 and 2020 — Adjusted Earnings

The components of adjusted earnings were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Fee income	\$ 779	\$ 724
Net investment spread	708	432
Insurance-related activities	(374)	(464)
Amortization of DAC and VOBA	(133)	(50)
Other expenses, net of DAC capitalization	(424)	(410)
Less: Net income (loss) attributable to noncontrolling interests	—	—
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests	556	232
Provision for income tax expense (benefit)	101	32
Adjusted earnings	<u>\$ 455</u>	<u>\$ 200</u>

Three Months Ended March 31, 2021 Compared with the Three Months Ended March 31, 2020

Adjusted earnings were \$455 million, an increase of \$255 million.

Key net favorable impacts were:

- higher net investment spread due to:
 - higher returns on other limited partnerships for the comparative measurement period; and
 - higher average invested assets resulting from positive net flows in the general account;
 partially offset by
 - higher interest credited to policyholders in our life business due to higher imputed interest on insurance liabilities; and
 - lower investment yields on our fixed income portfolio, as proceeds from maturing investments and the growth in the investment portfolio were invested at lower yields than the portfolio average;
- lower net costs associated with insurance-related activities due to:
 - lower income annuity benefit payments and a decrease in guaranteed minimum death benefits (“GMDB”) liabilities resulting from favorable equity market performance;
 partially offset by
 - an adjustment in the current period related to modeling improvements resulting from an actuarial system conversion in our life business;
 - lower underwriting margin in our run-off business; and
 - an increase in GMDB death claims;
- higher fee income due to:
 - higher asset-based fees resulting from higher average separate account balances, a portion of which is offset in other expenses; and
 - lower paid claims, net of reinsurance in our life business.

Key net unfavorable impacts were:

- higher net amortization of DAC and VOBA due to:
 - the increase in equity market performance compared to the prior period resulted in an unfavorable change in our Shield Level Annuities (“Shield”) business, which more than offset the favorable change in our variable annuity business; and

- an adjustment in the current period related to modeling improvements resulting from an actuarial system conversion in our life business; partially offset by
- the impact on gross profits from higher separate account returns in our life business; and
- higher other expenses due to:
 - higher asset-based variable annuity expenses resulting from higher average separate account balances, a portion of which is offset in fee income; and
 - higher deferred compensation expenses;
 partially offset by
 - lower establishment costs related to planned technology expenses; and
 - lower expenses resulting from the exit of various transition services agreements with MetLife, Inc. (together with its subsidiaries and affiliates, “MetLife”).

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 18% in the current period compared to 14% in the prior period. Our effective tax rate differs from the statutory tax rate primarily due to the impacts of the dividends received deduction and tax credits.

GMLB Riders for the Three Months Ended March 31, 2021 and 2020

The overall impact on income (loss) before provision for income tax from the performance of GMLB Riders, which includes (i) changes in carrying value of the GAAP liabilities, (ii) the mark-to-market of hedges and reinsurance, (iii) fees and (iv) associated DAC offsets, was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Liabilities	\$ 669	\$ (756)
Hedges	(1,097)	5,337
Ceded reinsurance	(85)	96
Fees (1)	193	190
GMLB DAC	77	(623)
Total GMLB Riders	<u>\$ (243)</u>	<u>\$ 4,244</u>

(1) Excludes living benefit fees, included as a component of adjusted earnings, of \$14 million for both the three months ended March 31, 2021 and 2020.

Three Months Ended March 31, 2021 Compared with the Three Months Ended March 31, 2020

Comparative results from GMLB Riders were unfavorable by \$4.5 billion, primarily driven by:

- unfavorable changes in our GMLB hedges;
- unfavorable changes to the estimated fair value of Shield embedded derivative liabilities (“Shield liabilities”); and
- unfavorable changes in ceded reinsurance;

partially offset by

- favorable changes to the estimated fair value of variable annuity liability reserves; and
- favorable changes in GMLB DAC.

Higher relative equity markets resulted in the following impacts:

- unfavorable changes to the estimated fair value of Shield liabilities;
- unfavorable changes to the estimated fair value of our GMLB hedges; and
- unfavorable changes in ceded reinsurance;

partially offset by

- favorable changes to the estimated fair value of the variable annuity liability reserves; and
- favorable changes to GMLB DAC.

Higher interest rates resulted in the following impacts:

- unfavorable changes to the estimated fair value of our GMLB hedges;
- unfavorable changes to GMLB DAC; and
- unfavorable changes in ceded reinsurance;

partially offset by

- favorable changes to the estimated fair value of the variable annuity liability reserves.

The narrowing of our credit default swap spreads combined with a larger decrease in the underlying variable annuity liability reserves resulted in an unfavorable change in the adjustment for nonperformance risk, net of a favorable change in GMLB DAC.

Liquidity and Capital Resources

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility or disruptions in global capital markets, particular markets or financial asset classes can impact us adversely, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, including those related to the COVID-19 pandemic, see “— Overview — COVID-19 Pandemic.”

Rating Agencies

Credit rating agencies may continue to review and adjust our ratings. For example, in April 2020, Fitch revised the rating outlook for Brighthouse Life Insurance Company and certain affiliates to negative from stable due to the disruption to economic activity and the financial markets from the COVID-19 pandemic. This action by Fitch followed its revision of the rating outlook on the U.S. life insurance industry to negative. In April 2021, Fitch revised the rating outlook for Brighthouse Life Insurance Company and certain affiliates from negative back to stable. See “Risk Factors — Risks Related to Our Business — A downgrade or a potential downgrade in our financial strength ratings could result in a loss of business and materially adversely affect our financial condition and results of operations” included in our 2020 Annual Report for an in-depth description of the impact of a potential ratings downgrade.

Sources and Uses of Liquidity and Capital

In addition to the summary description of liquidity and capital sources discussed in “— Sources and Uses of Liquidity and Capital” in our 2020 Annual Report, the following additional information is provided regarding our primary sources of liquidity and capital:

Funding Agreements

From time to time, Brighthouse Life Insurance Company issues funding agreements and uses the proceeds from such issuances to provide additional liquidity or for spread lending purposes. The activity under all such funding agreements is reported in policyholder account balances. See Note 3 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report for additional information on funding agreements.

Funding Agreement-Backed Notes Program

In April 2021, Brighthouse Life Insurance Company established a funding agreement-backed notes program (the “FABN Program”), pursuant to which Brighthouse Life Insurance Company may issue funding agreements to a special purpose statutory trust (the “Trust”) for spread lending purposes. The maximum aggregate principal amount permitted to be outstanding at any one time under the FABN Program is \$5.0 billion. On April 12, 2021, Brighthouse Life Insurance Company issued funding agreements to the Trust in an aggregate principal amount of \$700 million. Activity related to these funding agreements will be reported in Corporate & Other.

Federal Home Loan Bank Funding Agreements

Brighthouse Life Insurance Company is a member of the Federal Home Loan Bank (“FHLB”) of Atlanta, where we maintain an active funding agreement program, under which funding agreements may be issued either (i) to provide additional liquidity or (ii) for spread lending purposes. At both March 31, 2021 and December 31, 2020, there were no obligations outstanding under this funding agreement program and, during both the three months ended March 31, 2021 and 2020, there were no issuances or repayments under this funding agreement program. On April 19, 2021, Brighthouse Life Insurance Company issued funding agreements to the FHLB of Atlanta for spread lending purposes in an aggregate principal amount of \$500 million. Activity related to these funding agreements will be reported in Corporate & Other.

Farmer Mac Funding Agreements

Brighthouse Life Insurance Company has a funding agreement program with the Federal Agricultural Mortgage Corporation and its affiliate Farmer Mac Mortgage Securities Corporation (“Farmer Mac”) with a term ending on December 31, 2023, pursuant to which the parties may enter into funding agreements in an aggregate amount of up to \$500 million either (i) to provide additional liquidity or (ii) for spread lending purposes. At both March 31, 2021 and December 31, 2020, there were no borrowings under this funding agreement program. On April 30, 2021, Brighthouse Life Insurance Company issued funding agreements to Farmer Mac for spread lending purposes in an aggregate principal amount of \$25 million. Activity related to these funding agreements will be reported in Corporate & Other.

Note Regarding Forward-Looking Statements

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and other oral or written statements that we make from time to time may contain information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements using words such as "anticipate," "estimate," "expect," "project," "may," "will," "could," "intend," "goal," "target," "guidance," "forecast," "preliminary," "objective," "continue," "aim," "plan," "believe" and other words and terms of similar meaning, or that are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include, without limitation, statements relating to future actions, prospective services or products, financial projections, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, as well as trends in operating and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of BLIC. These statements are based on current expectations and the current economic environment and involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others:

- differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models;
- higher risk management costs and exposure to increased market risk due to guarantees within certain of our products;
- the effectiveness of our variable annuity exposure risk management strategy and the impact of such strategy on volatility in our profitability measures and negative effects on our statutory capital;
- material differences from actual outcomes compared to the sensitivities calculated under certain scenarios and sensitivities that we may utilize in connection with our variable annuity risk management strategies;
- the impact of interest rates on our future ULSG policyholder obligations and net income volatility;
- the impact of the COVID-19 pandemic;
- the potential material adverse effect of changes in accounting standards, practices or policies applicable to us, including changes in the accounting for long-duration contracts;
- loss of business and other negative impacts resulting from a downgrade or a potential downgrade in our financial strength ratings;
- the availability of reinsurance and the ability of the counterparties to our reinsurance or indemnification arrangements to perform their obligations thereunder;
- heightened competition, including with respect to service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, financial strength ratings, e-business capabilities and name recognition;
- our ability to market and distribute our products through distribution channels;
- any failure of third parties to provide services we need, any failure of the practices and procedures of such third parties and any inability to obtain information or assistance we need from third parties;
- the adverse impact on liabilities for policyholder claims as a result of extreme mortality events;
- the impact of adverse capital and credit market conditions, including with respect to our ability to meet liquidity needs and access capital;
- the impact of economic conditions in the capital markets and the U.S. and global economy, as well as geo-political or catastrophic events, on our investment portfolio, including on realized and unrealized losses and impairments, net investment spread and net investment income;
- the impact of events that adversely affect issuers, guarantors or collateral relating to our investments or our derivatives counterparties, on impairments, valuation allowances, reserves, net investment income and changes in unrealized gain or loss positions;

- the impact of changes in regulation and in supervisory and enforcement policies on our insurance business or other operations;
- the potential material negative tax impact of potential future tax legislation that could make some of our products less attractive to consumers;
- the effectiveness of our policies and procedures in managing risk;
- the loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively as a result of any failure in cyber- or other information security systems;
- whether all or any portion of the tax consequences of our separation from MetLife are not as expected, leading to material additional taxes or material adverse consequences to tax attributes that impact us;
- the uncertainty of the outcome of any disputes with MetLife over tax-related or other matters and agreements or disagreements regarding MetLife's or our obligations under our other agreements; and
- other factors described in this report and from time to time in documents that we file with the SEC.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements included and the risks, uncertainties and other factors identified in our 2020 Annual Report, particularly in the sections entitled "Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk," as well as in our other subsequent filings with the SEC. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of March 31, 2021.

MetLife provides certain services to the Company on a transitional basis through services agreements. The Company continues to change business processes, implement systems and establish new third-party arrangements, as a subsidiary of Brighthouse Financial, Inc. We consider these in aggregate to be material changes in our internal control over financial reporting.

Other than as noted above, there were no changes to the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

See Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

We discuss in this report, in our 2020 Annual Report and in our other filings with the SEC, various risks that may materially affect our business. In addition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Note Regarding Forward-Looking Statements" included herein. There have been no material changes to our risk factors from the risk factors previously disclosed in our 2020 Annual Report.

Item 6. Exhibits

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits herein, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Brighthouse Life Insurance Company, its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Brighthouse Life Insurance Company, its subsidiaries and affiliates may be found elsewhere herein and Brighthouse Life Insurance Company's other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)

Exhibit No.	Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104*	The cover page of Brighthouse Life Insurance Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL (included within the Exhibit 101 attachments).

* Filed herewith.

** Furnished herewith.

CERTIFICATIONS

I, Eric T. Steigerwalt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brighthouse Life Insurance Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2021

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
Chairman of the Board, President and
Chief Executive Officer

CERTIFICATIONS

I, Edward A. Spehar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brighthouse Life Insurance Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2021

/s/ Edward A. Spehar

Edward A. Spehar
Vice President and Chief Financial Officer

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Eric T. Steigerwalt, certify that, to my knowledge, (i) Brighthouse Life Insurance Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Life Insurance Company.

Date: May 11, 2021

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
Chairman of the Board, President and
Chief Executive Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Brighthouse Life Insurance Company (the "Company") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Edward A. Spehar, certify that, to my knowledge, (i) Brighthouse Life Insurance Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Life Insurance Company.

Date: May 11, 2021

/s/ Edward A. Spehar

Edward A. Spehar
Vice President and Chief Financial Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Brighthouse Life Insurance Company (the "Company") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.