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: 001-37905

Brighthouse Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**81-3846992**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
11225 North Community House Road, Charlotte, North Carolina	**28277**
(Address of principal executive offices)	*(Zip Code)*

(980) 365-7100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**BHF**	**The Nasdaq Stock Market LLC**
Depositary Shares, each representing a 1/1,000th interest in a share of 6.600% Non-Cumulative Preferred Stock, Series A	**BHFAP**	**The Nasdaq Stock Market LLC**
Depositary Shares, each representing a 1/1,000th interest in a share of 6.750% Non-Cumulative Preferred Stock, Series B	**BHFAO**	**The Nasdaq Stock Market LLC**
Depositary Shares, each representing a 1/1,000th interest in a share of 5.375% Non-Cumulative Preferred Stock, Series C	**BHFAN**	**The Nasdaq Stock Market LLC**
6.250% Junior Subordinated Debentures due 2058	**BHFAL**	**The Nasdaq Stock Market LLC**

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	☑	Accelerated filer	☐
Non-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 6, 2021, 85,793,967 shares of the registrant's common stock were outstanding.

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Part I — Financial Information

Item 1. Financial Statements

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: $72,078 and $70,529, respectively; allowance for credit losses of $8 and $2, respectively)	$ 78,971	$ 82,495
Equity securities, at estimated fair value	106	138
Mortgage loans (net of allowance for credit losses of $91 and $94, respectively)	15,690	15,808
Policy loans	1,245	1,291
Limited partnerships and limited liability companies	3,219	2,810
Short-term investments, principally at estimated fair value	1,673	3,242
Other invested assets, principally at estimated fair value (net of allowance for credit losses of $13 and $13, respectively)	2,267	3,747
Total investments	103,171	109,531
Cash and cash equivalents	4,025	4,108
Accrued investment income	734	676
Premiums, reinsurance and other receivables (net of allowance for credit losses of $10 and $10, respectively)	16,129	16,158
Deferred policy acquisition costs and value of business acquired	5,148	4,911
Other assets	506	516
Separate account assets	112,224	111,969
Total assets	$ 241,937	$ 247,869
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 42,426	$ 44,448
Policyholder account balances	55,152	54,508
Other policy-related balances	3,355	3,411
Payables for collateral under securities loaned and other transactions	4,281	5,252
Long-term debt	3,435	3,436
Current income tax payable	152	126
Deferred income tax liability	812	1,620
Other liabilities	5,018	5,011
Separate account liabilities	112,224	111,969
Total liabilities	226,855	229,781
Contingencies, Commitments and Guarantees (Note 10)		
Equity		
Brighthouse Financial, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; $1,403 aggregate liquidation preference	—	—
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 121,439,906 and 121,002,523 shares issued, respectively; 86,841,260 and 88,211,618 shares outstanding, respectively	1	1
Additional paid-in capital	13,858	13,878
Retained earnings (deficit)	(1,119)	(534)
Treasury stock, at cost; 34,598,646 and 32,790,905 shares, respectively	(1,112)	(1,038)
Accumulated other comprehensive income (loss)	3,389	5,716
Total Brighthouse Financial, Inc.'s stockholders' equity	15,017	18,023
Noncontrolling interests	65	65
Total equity	15,082	18,088
Total liabilities and equity	$ 241,937	$ 247,869

See accompanying notes to the interim condensed consolidated financial statements.

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, except per share data)

	Three Months Ended March 31,	
	2021	**2020**
Revenues		
Premiums	$ 184	$ 198
Universal life and investment-type product policy fees	930	886
Net investment income	1,187	916
Other revenues	127	102
Net investment gains (losses)	14	(19)
Net derivative gains (losses)	(1,504)	6,902
Total revenues	938	8,985
Expenses		
Policyholder benefits and claims	756	1,187
Interest credited to policyholder account balances	297	259
Amortization of deferred policy acquisition costs and value of business acquired	91	770
Other expenses	562	517
Total expenses	1,706	2,733
Income (loss) before provision for income tax	(768)	6,252
Provision for income tax expense (benefit)	(185)	1,293
Net income (loss)	(583)	4,959
Less: Net income (loss) attributable to noncontrolling interests	2	2
Net income (loss) attributable to Brighthouse Financial, Inc.	(585)	4,957
Less: Preferred stock dividends	25	7
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders	$ (610)	$ 4,950
Comprehensive income (loss)	$ (2,910)	$ 4,366
Less: Comprehensive income (loss) attributable to noncontrolling interests	2	2
Comprehensive income (loss) attributable to Brighthouse Financial, Inc.	$ (2,912)	$ 4,364
Earnings per common share		
Basic	$ (6.96)	$ 47.26
Diluted	$ (6.96)	$ 47.11

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.

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

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Brighthouse Financial, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2020	$ —	$ 1	$ 13,878	$ (534)	$ (1,038)	$ 5,716	$ 18,023	$ 65	$ 18,088
Treasury stock acquired in connection with share repurchases					(68)		(68)		(68)
Share-based compensation		—	5		(6)		(1)		(1)
Dividends on preferred stock			(25)				(25)		(25)
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				(585)			(585)	2	(583)
Other comprehensive income (loss), net of income tax						(2,327)	(2,327)		(2,327)
Balance at March 31, 2021	$ —	$ 1	$ 13,858	$ (1,119)	$ (1,112)	$ 3,389	$ 15,017	$ 65	$ 15,082

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Brighthouse Financial, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2019	$ —	$ 1	$ 12,908	$ 585	$ (562)	$ 3,240	$ 16,172	$ 65	$ 16,237
Cumulative effect of change in accounting principle, net of income tax				(14)		3	(11)		(11)
Balance at January 1, 2020	—	1	12,908	571	(562)	3,243	16,161	65	16,226
Treasury stock acquired in connection with share repurchases					(142)		(142)		(142)
Share-based compensation			3		(2)		1		1
Dividends on preferred stock				(7)			(7)		(7)
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				4,957			4,957	2	4,959
Other comprehensive income (loss), net of income tax						(596)	(596)		(596)
Balance at March 31, 2020	$ —	$ 1	$ 12,911	$ 5,521	$ (706)	$ 2,647	$ 20,374	$ 65	$ 20,439

See accompanying notes to the interim condensed consolidated financial statements.

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	$ (104)	$ 96
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	2,662	1,674
Equity securities	54	14
Mortgage loans	726	481
Limited partnerships and limited liability companies	49	69
Purchases of:		
Fixed maturity securities	(3,959)	(2,541)
Equity securities	(6)	—
Mortgage loans	(568)	(279)
Limited partnerships and limited liability companies	(204)	(178)
Cash received in connection with freestanding derivatives	1,012	3,412
Cash paid in connection with freestanding derivatives	(1,581)	(1,807)
Net change in policy loans	46	41
Net change in short-term investments	1,569	(2,387)
Net change in other invested assets	—	17
Net cash provided by (used in) investing activities	(200)	(1,484)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	2,058	1,974
Withdrawals	(698)	(478)
Net change in payables for collateral under securities loaned and other transactions	(971)	6,597
Dividends on preferred stock	(25)	(7)
Treasury stock acquired in connection with share repurchases	(68)	(142)
Financing element on certain derivative instruments and other derivative related transactions, net	(67)	(486)
Other, net	(8)	(17)
Net cash provided by (used in) financing activities	221	7,441
Change in cash, cash equivalents and restricted cash	(83)	6,053
Cash, cash equivalents and restricted cash, beginning of period	4,108	2,877
Cash, cash equivalents and restricted cash, end of period	$ 4,025	$ 8,930
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$ 6	$ 15
Income tax	$ (21)	$ —

See accompanying notes to the interim condensed consolidated financial statements.

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

Business

“Brighthouse Financial” and the “Company” refer to Brighthouse Financial, Inc. and its subsidiaries. Brighthouse Financial, Inc. (“BHF”) is a holding company formed in 2016 to own the legal entities that historically operated a substantial portion of MetLife, Inc.’s former retail segment until becoming a separate, publicly-traded company in August 2017. Brighthouse Financial is one of the largest providers of annuity and life insurance products in the United States through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners. 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 Financial, 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.

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 Financial, Inc.’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.

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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 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) available to BHF's common shareholders and excludes net income (loss) attributable to noncontrolling interests and preferred stock dividends.

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.

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	$ 414	$ 52	$ 85	$ (61)	$ 490
Provision for income tax expense (benefit)	78	10	9	(19)	78
Post-tax adjusted earnings	336	42	76	(42)	412
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	2	2
Less: Preferred stock dividends	—	—	—	25	25
Adjusted earnings	$ 336	$ 42	$ 76	$ (69)	385
Adjustments for:					
Net investment gains (losses)					14
Net derivative gains (losses)					(1,504)
Other adjustments to net income (loss)					232
Provision for income tax (expense) benefit					263
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ (610)
Interest revenue	$ 550	$ 166	$ 462	$ 14	
Interest expense	$ —	$ —	$ —	$ 41	

2. Segment Information (continued)

	Three Months Ended March 31, 2020				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	$ 389	$ 13	$ (90)	$ (59)	$ 253
Provision for income tax expense (benefit)	73	2	(20)	(22)	33
Post-tax adjusted earnings	316	11	(70)	(37)	220
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	2	2
Less: Preferred stock dividends	—	—	—	7	7
Adjusted earnings	$ 316	$ 11	$ (70)	$ (46)	211
Adjustments for:					
Net investment gains (losses)					(19)
Net derivative gains (losses)					6,902
Other adjustments to net income (loss)					(884)
Provision for income tax (expense) benefit					(1,260)
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ 4,950
Interest revenue	$ 460	$ 116	$ 324	$ 20	
Interest expense	$ —	$ —	$ —	$ 47	

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

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Annuities	$ 1,298	$ 1,151
Life	410	354
Run-off	628	493
Corporate & Other	35	42
Adjustments	(1,433)	6,945
Total	$ 938	$ 8,985

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

	March 31, 2021	December 31, 2020
	(In millions)	
Annuities	$ 170,955	$ 172,233
Life	23,293	23,809
Run-off	35,270	38,366
Corporate & Other	12,419	13,461
Total	$ 241,937	$ 247,869

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.

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)	$ 108,533	$ 60,162	$ 108,424	$ 60,674
Separate account value	$ 103,398	$ 58,912	$ 103,315	$ 59,419
Net amount at risk	$ 6,708 (4)	$ 5,647 (5)	$ 6,438 (4)	$ 6,692 (5)
Average attained age of contract holders	71 years	70 years	70 years	70 years

	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)	$ 4,523	$ 3,926
Net amount at risk (6)	$ 19,743	$ 19,909
Average attained age of policyholders	51 years	51 years

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(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.

3. Insurance (continued)

(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.

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	$ 33,299	$ 2	$ 3,158	$ 436	$ 36,019	$ 32,608	$ 2	$ 5,370	$ 70	$ 37,906
Foreign corporate	10,415	6	953	129	11,233	10,060	—	1,501	50	11,511
U.S. government and agency	6,283	—	1,662	134	7,811	6,007	—	2,637	6	8,638
RMBS	7,324	—	520	18	7,826	7,653	—	644	3	8,294
CMBS	6,327	—	373	34	6,666	6,207	—	592	9	6,790
State and political subdivision	3,890	—	739	28	4,601	3,673	—	967	—	4,640
ABS	3,005	—	51	5	3,051	2,834	—	60	10	2,884
Foreign government	1,535	—	239	10	1,764	1,487	—	346	1	1,832
Total fixed maturity securities	$ 72,078	$ 8	$ 7,695	$ 794	$ 78,971	$ 70,529	$ 2	$ 12,117	$ 149	$ 82,495

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	$ 1,457	$ 7,437	$ 15,408	$ 31,120	$ 16,656	$ 72,078
Estimated fair value	$ 1,478	$ 7,902	$ 16,453	$ 35,595	$ 17,543	$ 78,971

(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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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	$ 6,548	$ 425	$ 314	$ 11	$ 1,737	$ 57	$ 185	$ 13
Foreign corporate	1,638	88	330	41	254	8	387	42
U.S. government and agency	1,005	134	—	—	236	6	—	—
RMBS	849	16	56	2	180	2	22	1
CMBS	871	31	87	3	332	7	44	2
State and political subdivision	620	28	—	—	48	—	—	—
ABS	543	3	345	2	506	3	629	7
Foreign government	171	10	—	—	54	1	—	—
Total fixed maturity securities	$ 12,245	$ 735	$ 1,132	$ 59	$ 3,347	$ 84	$ 1,267	$ 65
Total number of securities in an unrealized loss position	1,729		295		667		244	

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.

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 $566 million and $514 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 five 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	$ 2	$ 6	$ —	$ 8
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	$ 8	$ 1	$ 1	$ 10

(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.

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	$ 9,642	61.5 %	$ 9,714	61.4 %
Agricultural	3,607	23.0	3,538	22.4
Residential	2,532	16.1	2,650	16.8
Total mortgage loans (1)	15,781	100.6	15,902	100.6
Allowance for credit losses	(91)	(0.6)	(94)	(0.6)
Total mortgage loans, net	$ 15,690	100.0 %	$ 15,808	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 $83 million and $89 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.

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)	(2)	(3)
Balance, end of period	$ 45	$ 13	$ 33	$ 91
Three Months Ended March 31, 2020				
Balance, beginning of period	$ 27	$ 17	$ 22	$ 66
Current period provision	—	1	2	3
Balance, end of period	$ 27	$ 18	$ 24	$ 69

PCD Mortgage Loans

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

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	$ 514	$ 3,716	$ 7,038
65% to 75%	83	200	500	532	312	578	2,205
76% to 80%	—	—	—	—	45	85	130
Greater than 80%	—	—	—	30	—	239	269
Total commercial mortgage loans	146	516	1,976	1,515	871	4,618	9,642
Agricultural mortgage loans							
Loan-to-value ratios:							
Less than 65%	200	565	523	730	363	969	3,350
65% to 75%	42	79	80	5	33	18	257
Total agricultural mortgage loans	242	644	603	735	396	987	3,607
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	$ 1,410	$ 2,978	$ 2,593	$ 1,368	$ 7,043	$ 15,781

	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	$ 515	$ 1,109	$ 2,808	$ 7,280
65% to 75%	200	450	482	322	59	521	2,034
76% to 80%	—	—	—	44	79	8	131
Greater than 80%	—	—	29	—	6	234	269
Total commercial mortgage loans	517	1,977	1,515	881	1,253	3,571	9,714
Agricultural mortgage loans							
Loan-to-value ratios:							
Less than 65%	569	526	749	391	417	663	3,315
65% to 75%	81	81	10	33	—	18	223
Total agricultural mortgage loans	650	607	759	424	417	681	3,538
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	$ 1,383	$ 2,971	$ 2,691	$ 1,436	$ 1,741	$ 5,680	$ 15,902

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	$ 9,050	93.9 %	$ 9,450	97.3 %
1.00x - 1.20x	340	3.5	204	2.1
Less than 1.00x	252	2.6	60	0.6
Total	$ 9,642	100.0 %	$ 9,714	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.

<u>Past Due Mortgage Loans by Portfolio Segment</u>

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	$ 9,642	$ 3,588	$ 2,451	$ 15,681	$ 9,714	$ 3,538	$ 2,575	$ 15,827
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	$ 9,642	$ 3,607	$ 2,532	$ 15,781	$ 9,714	$ 3,538	$ 2,650	$ 15,902

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").

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	$ 6,901	$ 11,968
Derivatives	98	173
Other	(18)	(16)
Subtotal	6,981	12,125
Amounts allocated from:		
Future policy benefits	(2,320)	(4,313)
DAC, VOBA and DSI	(305)	(520)
Subtotal	(2,625)	(4,833)
Deferred income tax benefit (expense)	(914)	(1,531)
Net unrealized investment gains (losses)	$ 3,442	$ 5,761

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

	Three Months Ended March 31, 2021
	(In millions)
Balance at December 31, 2020	$ 5,761
Unrealized investment gains (losses) during the period	(5,144)
Unrealized investment gains (losses) relating to:	
Future policy benefits	1,993
DAC, VOBA and DSI	215
Deferred income tax benefit (expense)	617
Balance at March 31, 2021	$ 3,442
Change in net unrealized investment gains (losses)	$ (2,319)

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.

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)	$ 9,412	$ 10,135
Invested assets held in trust (reinsurance agreements) (2)	5,456	5,717
Invested assets pledged as collateral (3)	5,558	5,595
Total invested assets on deposit, held in trust and pledged as collateral	$ 20,426	$ 21,447

(1) The Company has assets, primarily fixed maturity securities, on deposit with governmental authorities relating to certain policyholder liabilities, of which $61 million and $60 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 $74 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 3 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.

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	$ 13,257	$ 12,469	$ 13,665	$ 12,581
Limited partnerships and LLCs	2,714	3,996	2,319	3,578
Total	$ 15,971	$ 16,465	$ 15,984	$ 16,159

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 10.

4. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(In millions)	
Investment income:		
Fixed maturity securities	$ 690	$ 669
Equity securities	1	2
Mortgage loans	164	166
Policy loans	17	12
Limited partnerships and LLCs (1)	338	82
Cash, cash equivalents and short-term investments	2	23
Other	10	14
Total investment income	1,222	968
Less: Investment expenses	35	52
Net investment income	$ 1,187	$ 916

(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	Three Months Ended March 31, 2020
	(In millions)	
Fixed maturity securities	$ 10	$ (6)
Equity securities	—	(14)
Mortgage loans	4	(4)
Limited partnerships and LLCs	—	(1)
Other	—	6
Total net investment gains (losses)	$ 14	$ (19)

4. Investments (continued)

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	$ 1,262	$ 649
Gross investment gains	$ 33	$ 17
Gross investment losses	(17)	(6)
Net investment gains (losses)	$ 16	$ 11

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.

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:

		March 31, 2021			December 31, 2020		
		Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value	
	Primary Underlying Risk Exposure		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	2,829	110	107	2,812	134	112
Total qualifying hedges		3,099	120	107	3,102	200	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	992	68	29	1,000	86	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	872	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		105,318	1,983	1,960	89,515	3,382	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	—	1,720	N/A	—	2,920
Assumed index-linked annuities	Other	N/A	—	385	N/A	—	382
Total embedded derivatives		N/A	197	6,665	N/A	283	7,157
Total		$ 108,417	$ 2,300	$ 8,732	$ 92,617	$ 3,865	$ 9,181

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.

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	(16)
Total cash flow hedges	6	(3)	9	(68)
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	548	—	—	—
Total non-qualifying hedges	(1,510)	3	—	—
Total	$ (1,504)	$ —	$ 9	$ (68)
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	463
Total cash flow hedges	1	—	12	560
Derivatives Not Designated or Not Qualifying as Hedging Instruments:				
Interest rate derivatives	4,921	—	—	—
Foreign currency exchange rate derivatives	134	(7)	—	—
Credit derivatives	(32)	—	—	—
Equity derivatives	1,964	—	—	—
Embedded derivatives	(79)	—	—	—
Total non-qualifying hedges	6,908	(7)	—	—
Total	$ 6,909	$ (7)	$ 12	$ 560

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 $98 million and $173 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.

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:

	March 31, 2021			December 31, 2020		
Rating Agency Designation of Referenced Credit Obligations (1)	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 Amounts Not Offset on the Consolidated Balance Sheets				
	Gross Amount Recognized	Financial Instruments (1)	Collateral Received/Pledged (2)	Net Amount	Securities Collateral Received/Pledged (3)	Net Amount After Securities Collateral
	(In millions)					
March 31, 2021						
Derivative assets	$ 2,124	$ (1,309)	$ (766)	$ 49	$ (44)	$ 5
Derivative liabilities	$ 2,052	$ (1,309)	$ —	$ 743	$ (703)	$ 40
December 31, 2020						
Derivative assets	$ 3,588	$ (1,342)	$ (1,340)	$ 906	$ (840)	$ 66
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.

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)	$ 743	$ 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.

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	$ —	$ 35,543	$ 476	$ 36,019
Foreign corporate	—	11,039	194	11,233
U.S. government and agency	2,264	5,547	—	7,811
RMBS	—	7,786	40	7,826
CMBS	—	6,666	—	6,666
State and political subdivision	—	4,601	—	4,601
ABS	—	2,965	86	3,051
Foreign government	—	1,764	—	1,764
Total fixed maturity securities	2,264	75,911	796	78,971
Equity securities	40	63	3	106
Short-term investments	1,250	423	—	1,673
Derivative assets: (1)				
Interest rate	—	622	—	622
Foreign currency exchange rate	—	178	1	179
Credit	—	24	14	38
Equity market	—	1,249	15	1,264
Total derivative assets	—	2,073	30	2,103
Embedded derivatives within asset host contracts (2)	—	—	197	197
Separate account assets	81	112,141	2	112,224
Total assets	$ 3,635	$ 190,611	$ 1,028	$ 195,274
Liabilities				
Derivative liabilities: (1)				
Interest rate	$ —	$ 751	$ —	$ 751
Foreign currency exchange rate	—	129	7	136
Credit	—	—	2	2
Equity market	—	1,165	13	1,178
Total derivative liabilities	—	2,045	22	2,067
Embedded derivatives within liability host contracts (2)	—	—	6,665	6,665
Total liabilities	$ —	$ 2,045	$ 6,687	$ 8,732

6. Fair Value (continued)

	December 31, 2020			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 37,415	$ 491	$ 37,906
Foreign corporate	—	11,314	197	11,511
U.S. government and agency	2,217	6,421	—	8,638
RMBS	—	8,272	22	8,294
CMBS	—	6,785	5	6,790
State and political subdivision	—	4,640	—	4,640
ABS	—	2,844	40	2,884
Foreign government	—	1,832	—	1,832
Total fixed maturity securities	2,217	79,523	755	82,495
Equity securities	36	99	3	138
Short-term investments	2,782	460	—	3,242
Derivative assets: (1)				
Interest rate	—	2,094	—	2,094
Foreign currency exchange rate	—	219	1	220
Credit	—	27	14	41
Equity market	—	1,213	14	1,227
Total derivative assets	—	3,553	29	3,582
Embedded derivatives within asset host contracts (2)	—	—	283	283
Separate account assets	86	111,880	3	111,969
Total assets	$ 5,121	$ 195,515	$ 1,073	$ 201,709
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)	—	—	7,157	7,157
Total liabilities	$ —	$ 1,997	$ 7,184	$ 9,181

(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.

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.

6. Fair Value (continued)

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.

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.

6. Fair Value (continued)

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).

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.

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 Range			December 31, 2020 Range			Impact of Increase in Input on Estimated Fair Value
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

6. Fair Value (continued)

based on third-party pricing models, an increase (decrease) in credit spreads would generally result in a higher (lower) fair value.

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	$ 688	$ 67	$ —	$ —	$ 3	$ —	$ 2	$ (6,874)	$ 3
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	(1)	—	—	—	—	—	8	548	—
Total realized/unrealized gains (losses) included in AOCI	(22)	—	—	—	—	—	(1)	—	—
Purchases (7)	118	80	—	—	—	—	(2)	—	—
Sales (7)	(5)	(3)	—	—	—	—	—	—	(1)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(142)	—
Transfers into Level 3 (8)	4	3	—	—	—	—	—	—	—
Transfers out of Level 3 (8)	(112)	(21)	—	—	—	—	1	—	—
Balance, end of period	$ 670	$ 126	$ —	$ —	$ 3	$ —	$ 8	$ (6,468)	$ 2
Three Months Ended March 31, 2020									
Balance, beginning of period	$ 461	$ 117	$ 73	$ —	$ 8	$ 5	$ 16	$ (4,031)	$ 3
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	(2)	—	—	—	—	—	1	(79)	—
Total realized/unrealized gains (losses) included in AOCI	(47)	(8)	—	—	—	—	31	—	(1)
Purchases (7)	249	65	—	7	—	—	—	—	1
Sales (7)	(11)	(6)	—	—	—	(3)	2	—	—
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(153)	—
Transfers into Level 3 (8)	232	68	—	—	—	—	—	—	1
Transfers out of Level 3 (8)	(31)	(18)	—	—	(4)	—	—	—	—
Balance, end of period	$ 851	$ 218	$ 73	$ 7	$ 4	$ 2	$ 50	$ (4,263)	$ 4
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at March 31, 2021 (9)	$ (1)	$ —	$ —	$ —	$ —	$ —	$ 8	$ 544	$ —
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	$ (91)	$ —
Changes in unrealized gains (losses) included in other comprehensive income for the instruments still held at March 31, 2020 (9)	$ (46)	$ (8)	$ —	$ —	$ —	$ —	$ 30	$ —	$ —

6. Fair Value (continued)

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

(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.

6. Fair Value (continued)

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				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 15,690	$ —	$ —	$ 16,539	$ 16,539
Policy loans	$ 1,245	$ —	$ 491	$ 1,115	$ 1,606
Other invested assets	$ 52	$ —	$ 40	$ 12	$ 52
Premiums, reinsurance and other receivables	$ 3,319	$ —	$ 60	$ 3,945	$ 4,005
Liabilities					
Policyholder account balances	$ 17,837	$ —	$ —	$ 18,871	$ 18,871
Long-term debt	$ 3,435	$ —	$ 3,710	$ —	$ 3,710
Other liabilities	$ 1,098	$ —	$ 380	$ 718	$ 1,098
Separate account liabilities	$ 1,361	$ —	$ 1,361	$ —	$ 1,361

	December 31, 2020				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 15,808	$ —	$ —	$ 16,926	$ 16,926
Policy loans	$ 1,291	$ —	$ 512	$ 1,530	$ 2,042
Other invested assets	$ 51	$ —	$ 39	$ 12	$ 51
Premiums, reinsurance and other receivables	$ 3,277	$ —	$ 90	$ 3,975	$ 4,065
Liabilities					
Policyholder account balances	$ 17,497	$ —	$ —	$ 19,100	$ 19,100
Long-term debt	$ 3,436	$ —	$ 3,858	$ —	$ 3,858
Other liabilities	$ 807	$ —	$ 163	$ 644	$ 807
Separate account liabilities	$ 1,334	$ —	$ 1,334	$ —	$ 1,334

7. Equity

Preferred Stock

Preferred stock shares authorized, issued and outstanding were as follows at both March 31, 2021 and December 31, 2020:

	Shares Authorized	Shares Issued	Shares Outstanding
6.600% Non-Cumulative Preferred Stock, Series A	17,000	17,000	17,000
6.750% Non-Cumulative Preferred Stock, Series B	16,100	16,100	16,100
5.375% Non-Cumulative Preferred Stock, Series C	23,000	23,000	23,000
Not designated	99,943,900	—	—
Total	100,000,000	56,100	56,100

The declaration, record and payment dates, as well as per share and aggregate dividend amounts for BHF's preferred stock by series for the three months ended March 31, 2021 and 2020 were as follows:

			Series A		Series B		Series C	
Declaration Date	Record Date	Payment Date	Per Share	Aggregate	Per Share	Aggregate	Per Share	Aggregate
			(In millions, except per share data)					
February 16, 2021	March 10, 2021	March 25, 2021	$ 412.50	$ 7	$ 421.88	$ 7	$ 466.58	$ 11
February 14, 2020	March 10, 2020	March 25, 2020	$ 412.50	$ 7	$ —	$ —	$ —	$ —

Common Stock Repurchase Program

On February 10, 2021, BHF authorized the repurchase of up to $200 million of its common stock, which is in addition to the $1.1 billion aggregate stock repurchase authorizations announced in February 2020, May 2019 and August 2018. Repurchases under this authorization may be made through open market purchases, including pursuant to 10b5-1 plans or pursuant to accelerated stock repurchase plans, or through privately negotiated transactions, from time to time at management's discretion in accordance with applicable legal requirements.

During the three months ended March 31, 2021 and 2020, BHF repurchased 1,659,872 and 5,674,387 shares, respectively, of its common stock through open market purchases pursuant to 10b5-1 plans for $68 million and $142 million, respectively. At March 31, 2021, BHF had $212 million remaining under its common stock repurchase program.

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	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance at December 31, 2020	$ 5,646	$ 115	$ (8)	$ (37)	$ 5,716
OCI before reclassifications	(2,848)	(68)	(7)	(2)	(2,925)
Deferred income tax benefit (expense)	599	14	1	—	614
AOCI before reclassifications, net of income tax	3,397	61	(14)	(39)	3,405
Amounts reclassified from AOCI	(13)	(7)	—	—	(20)
Deferred income tax benefit (expense)	3	1	—	—	4
Amounts reclassified from AOCI, net of income tax	(10)	(6)	—	—	(16)
Balance at March 31, 2021	$ 3,387	$ 55	$ (14)	$ (39)	$ 3,389

7. Equity (continued)

	Three Months Ended March 31, 2020				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance at December 31, 2019	$ 3,111	$ 172	$ (15)	$ (28)	$ 3,240
OCI before reclassifications (2)	(1,291)	560	(5)	(1)	(737)
Deferred income tax benefit (expense)	272	(118)	1	—	155
AOCI before reclassifications, net of income tax	2,092	614	(19)	(29)	2,658
Amounts reclassified from AOCI	(11)	(2)	—	—	(13)
Deferred income tax benefit (expense)	2	—	—	—	2
Amounts reclassified from AOCI, net of income tax	(9)	(2)	—	—	(11)
Balance at March 31, 2020	$ 2,083	$ 612	$ (19)	$ (29)	$ 2,647

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

(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)	$ 16	$ 13	Net investment gains (losses)
Net unrealized investment gains (losses)	(3)	(2)	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	13	11	
Income tax (expense) benefit	(3)	(2)	
Net unrealized investment gains (losses), net of income tax	10	9	
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	$ 16	$ 11	

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.

8. Other Revenues and Other Expenses (continued)

Other revenues consisted primarily of 12b-1 fees of $88 million and $81 million for the three months ended March 31, 2021 and 2020, respectively, of which substantially all were reported in the Annuities segment.

Other Expenses

Information on other expenses was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Compensation	$ 92	$ 69
Contracted services and other labor costs	60	68
Transition services agreements	32	38
Establishment costs	17	18
Premium and other taxes, licenses and fees	15	12
Separate account fees	125	117
Volume related costs, excluding compensation, net of DAC capitalization	163	128
Interest expense on debt	41	47
Other	17	20
Total other expenses	$ 562	$ 517

9. Earnings Per Common Share

The calculation of earnings per common share was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions, except share and per share data)	
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ (610)	$ 4,950
Weighted average common shares outstanding — basic	87,573,444	104,759,339
Dilutive effect of share-based awards	—	334,176
Weighted average common shares outstanding — diluted	87,573,444	105,093,515
Earnings per common share:		
Basic	$ (6.96)	$ 47.26
Diluted	$ (6.96)	$ 47.11

For the three months ended March 31, 2021, basic loss per common share equaled diluted loss per common share. The diluted shares were not utilized in the per share calculation for this period as the inclusion of such shares would have an antidilutive effect.

For the three months ended March 31, 2020, weighted average shares used for calculating diluted earnings per common share excludes 196,492 of out-of-the-money stock options, as the inclusion of these shares would be antidilutive to the earnings per common share calculation due to the average share price for the three months ended March 31, 2020.

10. 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.

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.

10. Contingencies, Commitments and Guarantees (continued)

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.

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's subsidiaries are 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.

10. Contingencies, Commitments and Guarantees (continued)

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, Bank Credit Facilities and Private Corporate Bond Investments

The Company commits to fund partnership investments and to lend funds under bank credit facilities and 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 less than $1 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.

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

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

Introduction

For purposes of this discussion, unless otherwise mentioned or unless the context indicates otherwise, “Brighthouse,” “Brighthouse Financial,” the “Company,” “we,” “our” and “us” refer to Brighthouse Financial, Inc., a Delaware corporation, and its subsidiaries. We use the term “BHF” to refer solely to Brighthouse Financial, Inc., and not to any of its subsidiaries. Until August 4, 2017, BHF was a wholly-owned subsidiary of MetLife, Inc. (together with its subsidiaries and affiliates, “MetLife”). Following this summary is a discussion addressing the consolidated financial condition and results of operations of the Company for the periods indicated. This Management’s Discussion and Analysis of Financial Condition and Results of Operations 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 February 24, 2021 (the “2020 Annual Report”); and (iii) our current reports on Form 8-K filed in 2021.

Presentation

Prior to discussing our Results of Operations, we present background information and definitions that we believe are useful to understanding the discussion of our financial results. This information precedes the Results of Operations and is most beneficial when read in the sequence presented. A summary of key informational sections is as follows:

- “Executive Summary” provides information regarding our business, segments and results as discussed in the Results of Operations.
- “Industry Trends” discusses updates and changes to a number of trends and uncertainties included in our 2020 Annual Report that we believe may materially affect our future financial condition, results of operations or cash flows, including from the worldwide pandemic sparked by the novel coronavirus (the “COVID-19 pandemic”).
- “Summary of Critical Accounting Estimates” explains the most critical estimates and judgments applied in determining our results in accordance with accounting principles generally accepted in the United States of America (“GAAP”).
- “Non-GAAP and Other Financial Disclosures” defines key financial measures presented in the Results of Operations that are not calculated in accordance with GAAP but are used by management in evaluating company and segment performance. As described in this section, adjusted earnings is presented by key business activities which are derived from, but different than, the line items presented in the GAAP statement of operations. This section also refers to certain other terms used to describe our insurance business and financial and operating metrics, but is not intended to be exhaustive.

Certain amounts presented in prior periods within the following discussions of our financial results have been reclassified to conform with the current year presentation.

Executive Summary

We are one of the largest providers of annuity and life insurance products in the United States through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners.

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.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand the results of operations, financial condition and cash flows of Brighthouse for the periods indicated. See “Business — Segments and Corporate & Other” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview” 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.

Net income (loss) available to shareholders and adjusted earnings, a non-GAAP financial measure, were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Income (loss) available to shareholders before provision for income tax	$ (795)	$ 6,243
Less: Provision for income tax expense (benefit)	(185)	1,293
Net income (loss) available to shareholders (1)	$ (610)	$ 4,950
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	$ 463	$ 244
Less: Provision for income tax expense (benefit)	78	33
Adjusted earnings	$ 385	$ 211

(1) We use the term "net income (loss) available to shareholders" to refer to "net income (loss) available to Brighthouse Financial, Inc.'s common shareholders" throughout the results of operations discussions.

For the three months ended March 31, 2021, we had a net loss available to shareholders of $610 million and adjusted earnings of $385 million compared to net income available to shareholders of $5.0 billion and adjusted earnings of $211 million for the three months ended March 31, 2020. The net loss available to shareholders for the three months ended March 31, 2021 primarily reflects net unfavorable changes in the estimated fair value of our derivatives due to market factors. Higher interest rates and higher equity markets resulted in unfavorable changes to the freestanding derivatives that hedge our variable annuity business, which were partially offset by the favorable impact to the variable annuity embedded derivative liabilities. Higher equity markets also unfavorably impacted the estimated fair value of the embedded derivative liabilities associated with Shield Level Annuities ("Shield"), which are referred to herein as "Shield liabilities." In addition, the impact of narrowing credit spreads resulted in an unfavorable adjustment for non-performance risk related to the variable annuity embedded derivative liabilities. Higher long-term interest rates resulted in unfavorable changes in the estimated fair value of freestanding interest-rate derivatives that we use to hedge our universal life with secondary guarantees ("ULSG") business.

See "— Non-GAAP and Other Financial Disclosures." For a detailed discussion of our results, see "— Results of Operations."

Industry Trends

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss a number of trends and uncertainties that we believe may materially affect our future financial condition, results of operations or cash flows. Where these trends or uncertainties are specific to a particular aspect of our business, we often include such a discussion under the relevant caption of this Management's Discussion and Analysis of Financial Condition and Results of Operations, as part of our broader analysis of that area of our business. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties" included in our 2020 Annual Report for a comprehensive discussion of some of the key general trends and uncertainties that have influenced the development of our business and our historical financial performance and that we believe will continue to influence our business and results of operations in the future. In addition, significant changes or updates in certain of these trends and uncertainties are discussed below.

COVID-19 Pandemic

We continue to closely monitor developments related to the 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 — Industry Trends — COVID-19 Pandemic" included in our 2020 Annual Report, as well as "— Investments — Current Environment — Selected Sector Investments," "— Investments — Mortgage Loans — Loan Modifications Related to the COVID-19 Pandemic" and Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements.

Regulatory Developments

Our insurance subsidiaries and Brighthouse Reinsurance Company of Delaware ("BRCD") are regulated primarily at the state level, with some products and services also subject to federal regulation. In addition, BHF and its insurance subsidiaries 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 — Industry Trends — Regulatory Developments."

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with 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 and Other Financial Disclosures

Our definitions of the non-GAAP and other financial 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 and preferred stock dividends, 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 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) available to Brighthouse Financial, Inc.'s common shareholders, 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) available to Brighthouse Financial, Inc.'s common shareholders.

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)	*Universal life and investment-type policy fees* (excluding (a) unearned revenue adjustments related to net investment gains (losses) and net derivative gains (losses) and (b) GMIB Fees) plus *Other revenues* (excluding other revenues associated with related party reinsurance) and amortization of deferred gain on reinsurance.
(ii)	Net investment spread	(ii)	*Net investment income* plus Investment Hedge Adjustments and interest received on ceded fixed annuity reinsurance deposit funds reduced by *Interest credited to policyholder account balances* and interest on future policy benefits.
(iii)	Insurance-related activities	(iii)	*Premiums* less *Policyholder benefits and claims* (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)	*Amortization of DAC and VOBA* (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)	*Other expenses* 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.

Adjusted Net Investment Income

We present adjusted net investment income, which is not calculated in accordance with GAAP. We present adjusted net investment income to measure our performance for management purposes, and we believe it enhances the understanding of our investment portfolio results. Adjusted net investment income represents net investment income, including Investment Hedge Adjustments. For a reconciliation of adjusted net investment income to net investment income, the most directly comparable GAAP measure, see footnote 3 to the summary yield table located in "— Investments — Current Environment — Investment Portfolio Results."

Other Financial Disclosures

Similar to adjusted net investment income, we present net investment income yields as a performance measure we believe enhances the understanding of our investment portfolio results. Net investment income yields are calculated on adjusted net investment income as a percent of average quarterly asset carrying values. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

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	$ 184	$ 198
Universal life and investment-type product policy fees	930	886
Net investment income	1,187	916
Other revenues	127	102
Net investment gains (losses)	14	(19)
Net derivative gains (losses)	(1,504)	6,902
Total revenues	938	8,985
Expenses		
Policyholder benefits and claims	756	1,187
Interest credited to policyholder account balances	297	259
Capitalization of DAC	(114)	(98)
Amortization of DAC and VOBA	91	770
Interest expense on debt	41	47
Other expenses	635	568
Total expenses	1,706	2,733
Income (loss) before provision for income tax	(768)	6,252
Provision for income tax expense (benefit)	(185)	1,293
Net income (loss)	(583)	4,959
Less: Net income (loss) attributable to noncontrolling interests	2	2
Net income (loss) attributable to Brighthouse Financial, Inc.	(585)	4,957
Less: Preferred stock dividends	25	7
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ (610)	$ 4,950

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

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
GMLB Riders	$ (353)	$ 4,374
Other derivative instruments	(956)	1,717
Net investment gains (losses)	14	(19)
Other adjustments	37	(73)
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	463	244
Income (loss) available to shareholders before provision for income tax	(795)	6,243
Provision for income tax expense (benefit)	(185)	1,293
Net income (loss) available to shareholders	$ (610)	$ 4,950

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

Loss available to shareholders before provision for income tax was $795 million ($610 million, net of income tax), a decrease of $7.0 billion ($5.6 billion, net of income tax) from income before provision for income tax of $6.2 billion ($5.0 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 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 segment; 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) Available to Shareholders to Adjusted Earnings

The reconciliation of net income (loss) available to shareholders to adjusted earnings was as follows:

	Three Months Ended March 31, 2021				
	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ 16	$ 45	$ (681)	$ 10	$ (610)
Add: Provision for income tax expense (benefit)	78	10	(139)	(134)	(185)
Income (loss) available to shareholders before provision for income tax	94	55	(820)	(124)	(795)
Less: GMLB Riders	(353)	—	—	—	(353)
Less: Other derivative instruments	30	(2)	(984)	—	(956)
Less: Net investment gains (losses)	(3)	5	48	(36)	14
Less: Other adjustments	6	—	31	—	37
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	414	52	85	(88)	463
Less: Provision for income tax expense (benefit)	78	10	9	(19)	78
Adjusted earnings	$ 336	$ 42	$ 76	$ (69)	$ 385

	Three Months Ended March 31, 2020				
	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ 4,721	$ 34	$ 1,025	$ (830)	$ 4,950
Add: Provision for income tax expense (benefit)	73	2	487	731	1,293
Income (loss) available to shareholders before provision for income tax	4,794	36	1,512	(99)	6,243
Less: GMLB Riders	4,374	—	—	—	4,374
Less: Other derivative instruments	72	17	1,631	(3)	1,717
Less: Net investment gains (losses)	(11)	5	15	(28)	(19)
Less: Other adjustments	(30)	1	(44)	—	(73)
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	389	13	(90)	(68)	244
Less: Provision for income tax expense (benefit)	73	2	(20)	(22)	33
Adjusted earnings	$ 316	$ 11	$ (70)	$ (46)	$ 211

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	$ 995	$ 922
Net investment spread	711	441
Insurance-related activities	(479)	(494)
Amortization of DAC and VOBA	(175)	(99)
Other expenses, net of DAC capitalization	(562)	(517)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	27	9
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	463	244
Provision for income tax expense (benefit)	78	33
Adjusted earnings	$ 385	$ 211

<u>Three Months Ended March 31, 2021 Compared with the Three Months Ended March 31, 2020</u>

Adjusted earnings were $385 million, an increase of $174 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 segment 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;
- 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 segment; and
- 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
  - lower underwriting margin in our Run-off segment; and
  - an increase in GMDB death claims.

Key net unfavorable impacts were:

- higher net amortization of DAC and VOBA in our Annuities segment; 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.

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 16% 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.

Segments and Corporate & Other Results for the Three Months Ended March 31, 2021 and 2020 — Adjusted Earnings

Annuities

The components of adjusted earnings for our Annuities segment were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Fee income	$ 712	$ 656
Net investment spread	323	262
Insurance-related activities	(95)	(126)
Amortization of DAC and VOBA	(127)	(38)
Other expenses, net of DAC capitalization	(399)	(365)
Pre-tax adjusted earnings	414	389
Provision for income tax expense (benefit)	78	73
Adjusted earnings	$ 336	$ 316

A significant portion of our adjusted earnings is driven by separate account balances related to our variable annuity business. Most directly, these balances determine asset-based fee income, but they also impact DAC amortization and asset-based commissions. The changes in our variable annuities separate account balances are presented in the table below. Variable annuities separate account balances increased for the three months ended March 31, 2021 driven by positive equity market performance, partially offset by negative net flows and policy charges.

	Three Months Ended March 31, 2021 (1)
	(In millions)
Balance, beginning of period	$ 103,450
Deposits	504
Withdrawals, surrenders and benefits	(2,465)
Net flows	(1,961)
Investment performance	2,794
Policy charges	(602)
Net transfers from (to) general account	(142)
Balance, end of period	$ 103,539
Average balance	$ 104,299

(1) Includes income annuities for which separate account balances at March 31, 2021 were $141 million.

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

Adjusted earnings were $336 million for the current period, an increase of $20 million.

Key net favorable impacts were:

- higher net investment spread due to:

- higher average invested assets resulting from positive net flows in the general account; and
- higher returns on other limited partnerships for the comparative measurement period;

partially offset by

- 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;

- higher asset-based fees resulting from higher average separate account balances, a portion of which is offset in other expenses; and
- lower net costs associated with insurance-related activities due to:
  - lower income annuity benefit payments and a decrease in GMDB liabilities resulting from favorable equity market performance;

  partially offset by

  - an increase in GMDB death claims.

Key net unfavorable impacts were:

- higher amortization of DAC and VOBA as the increase in equity market performance compared to the prior period resulted in an unfavorable change in our Shield business, which more than offset the favorable change in our variable annuity 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.

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 19% in both the current and prior periods. Our effective tax rate differs from the statutory tax rate primarily due to the impact of the dividends received deduction.

Life

The components of adjusted earnings for our Life segment were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Fee income	$ 117	$ 97
Net investment spread	85	59
Insurance-related activities	(61)	(66)
Amortization of DAC and VOBA	(45)	(58)
Other expenses, net of DAC capitalization	(44)	(19)
Pre-tax adjusted earnings	52	13
Provision for income tax expense (benefit)	10	2
Adjusted earnings	$ 42	$ 11

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

Adjusted earnings were $42 million for the current period, an increase of $31 million.

Key net favorable impacts were:

- higher net investment spread due to:
  - higher returns on other limited partnerships for the comparative measurement period;

  partially offset by
  - higher interest credited to policyholders due to higher imputed interest on insurance liabilities;
- higher fee income due to lower paid claims, net of reinsurance; and
- lower amortization of DAC and VOBA due to:
  - the impact on gross profits from higher separate account returns;

  partially offset by
  - an adjustment in the current period related to modeling improvements resulting from an actuarial system conversion.

The increase in adjusted earnings was partially offset by higher other expenses driven by higher deferred compensation expenses.

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 19% in the current period compared to 15% in the prior period. Our effective tax rate differs from the statutory tax rate primarily due to the impact of the dividends received deduction.

Run-off

The components of adjusted earnings for our Run-off segment were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Fee income	$ 166	$ 169
Net investment spread	291	100
Insurance-related activities	(328)	(307)
Amortization of DAC and VOBA	—	—
Other expenses, net of DAC capitalization	(44)	(52)
Pre-tax adjusted earnings	85	(90)
Provision for income tax expense (benefit)	9	(20)
Adjusted earnings	$ 76	$ (70)

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

Adjusted earnings were $76 million for the current period, an increase of $146 million.

The increase in adjusted earnings was driven by higher net investment spread due to higher returns on other limited partnerships for the comparative measurement period.

The increase in adjusted earnings was partially offset by higher costs associated with insurance-related activities driven by lower underwriting margin.

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 11% in the current period compared to 22% 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.

Corporate & Other

The components of adjusted earnings for Corporate & Other were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Fee income	$ —	$ —
Net investment spread	12	20
Insurance-related activities	5	5
Amortization of DAC and VOBA	(3)	(3)
Other expenses, net of DAC capitalization	(75)	(81)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	27	9
Pre-tax adjusted earnings, less net income (loss) attributable to noncontrolling interests and preferred stock dividends	(88)	(68)
Provision for income tax expense (benefit)	(19)	(22)
Adjusted earnings	$ (69)	$ (46)

<u>Three Months Ended March 31, 2021 Compared with the Three Months Ended March 31, 2020</u>

Adjusted earnings were a loss of $69 million, a higher loss of $23 million from the prior period.

Key unfavorable impacts were:

- timing of our preferred stock dividend payments; and
- lower net investment spread due to lower returns from short-term investments.

The provision for income tax, expressed as a percentage of pre-tax adjusted earnings, resulted in an effective tax rate of 31% in the current period compared to 32% 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. We believe the effective tax rate for Corporate & Other is not generally meaningful, neither on a standalone basis nor for comparison to prior periods, since taxes for Corporate & Other are derived from the difference between the overall consolidated effective tax rate and total taxes for the combined operating segments.

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

The overall impact on income (loss) available to shareholders 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	$ 553	$ (619)
Hedges	(1,097)	5,337
Ceded reinsurance	(84)	97
Fees (1)	197	201
GMLB DAC	78	(642)
Total GMLB Riders	$ (353)	$ 4,374

(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 $4.7 billion, primarily driven by:

- unfavorable changes in our GMLB hedges;
- unfavorable changes to the estimated fair value of 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.

Investments

Investment Risks

Our primary investment objective is to optimize risk-adjusted net investment income and risk-adjusted total return while appropriately matching assets and liabilities. In addition, the investment process is designed to ensure that the portfolio has an appropriate level of liquidity, quality and diversification.

We are exposed to the following primary sources of investment risks, which may be heightened or exacerbated by the factors discussed in "— Industry Trends — COVID-19 Pandemic":

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest, which will likely result in a higher allowance for credit losses and write-offs for uncollectible balances for certain investments;
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates. Changes in market interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds;
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads and equity market levels. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio and will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure. Credit spread tightening will reduce

net investment income associated with new purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio;

- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;
- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, which include, but are not limited to, market conditions, including the demand and supply of leasable commercial space, creditworthiness of borrowers and their tenants and joint venture partners, capital markets volatility and inherent interest rate movements;
- currency risk, relating to the variability in currency exchange rates for non-U.S. dollar denominated investments; and
- financial and operational risks related to using external investment managers.

See also “Risk Factors — Economic Environment and Capital markets-Related Risks — We are exposed to significant financial and capital markets risks which may adversely affect our financial condition, results of operations and liquidity, and may cause our net investment income and our profitability measures to vary from period to period” and “Risk Factors — Investments-Related Risks” in our 2020 Annual Report.

We manage these risks through asset-type allocation and industry and issuer diversification. Risk limits are also used to promote diversification by asset sector, avoid concentrations in any single issuer and limit overall aggregate credit and equity risk exposure. Real estate risk is managed through geographic and property type and product type diversification. Interest rate risk is managed as part of our Asset Liability Management (“ALM”) strategies. Product design, such as the use of market value adjustment features and surrender charges, is also utilized to manage interest rate risk. These strategies include maintaining an investment portfolio that targets a weighted average duration that reflects the duration of our estimated liability cash flow profile. For certain of our liability portfolios, it is not possible to invest assets to the full liability duration, thereby creating some asset/liability mismatch. We also use certain derivatives in the management of currency, credit, interest rate, and equity market risks.

Investment Management Agreements

Other than our derivatives trading, which we manage in-house, we have engaged a select group of experienced external asset management firms to manage the investment of the assets comprising our general account portfolio and certain separate account assets of our insurance subsidiaries, as well as assets of BHF and our reinsurance subsidiary BRCD.

Current Environment

Our business and results of operations are materially affected by conditions in capital markets and the economy, generally. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — Financial and Economic Environment” included in our 2020 Annual Report.

As a U.S. insurance company, we are affected by the monetary policy of the Federal Reserve Board in the United States. The Federal Reserve may increase or decrease the federal funds rate in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales. We are also affected by the monetary policy of central banks around the world due to the diversification of our investment portfolio.

Selected Sector Investments

Recent elevated levels of market volatility have affected the performance of various asset classes. Contributing factors include concerns about energy and oil prices impacting the energy sector, as well as the impact of the COVID-19 pandemic. See “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” included in our 2020 Annual Report.

There has been an increased market focus on energy sector investments as a result of volatile energy and oil prices. We maintain a diversified energy sector fixed maturity securities portfolio across sub-sectors and issuers. Our exposure to energy sector fixed maturity securities was $3.0 billion, of which 90% were investment grade, with net unrealized gains (losses) of $219 million at March 31, 2021.

There has also been an increased market focus on retail sector investments as a result of the COVID-19 pandemic and uncertainty regarding its duration and severity. Our exposure to retail sector corporate fixed maturity securities was $1.8 billion, of which 96% were investment grade, with net unrealized gains (losses) of $129 million at March 31, 2021.

In addition to the fixed maturity securities discussed above, we have exposure to mortgage loans and certain residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS") (collectively, "Structured Securities") that may be impacted by the COVID-19 pandemic. Our investment managers are actively working with borrowers who are experiencing short-term financial or operational problems as a result of the COVID-19 pandemic to provide temporary relief. See "— Investments — Mortgage Loans" and Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information on mortgage loans, including credit quality by portfolio segment and commercial mortgage loans by property type. Additionally, see "— Investments — Fixed Maturity Available-for-sale — Structured Securities" for information on Structured Securities, including security type, risk profile and ratings profile.

We monitor direct and indirect investment exposure across sectors and asset classes and adjust our level of investment exposure, as appropriate. At this time, we do not expect that our general account investments in these sectors and asset classes will have a material adverse effect on our results of operations or financial condition.

Investment Portfolio Results

The following summary yield table presents the yield and adjusted net investment income for our investment portfolio for the periods indicated. As described below, this table reflects certain differences from the presentation of net investment income presented in the GAAP statement of operations. This summary yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

	Three Months Ended March 31,			
	2021		2020	
	Yield %	Amount	Yield %	Amount
	(Dollars in millions)			
Investment income (1)	5.25 %	$ 1,225	4.44 %	$ 952
Investment fees and expenses (2)	(0.13)	(33)	(0.14)	(32)
Adjusted net investment income (3)	5.12 %	$ 1,192	4.30 %	$ 920

(1) Investment income yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses and reflects the adjustments presented in footnote 3 below to arrive at adjusted net investment income. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

(2) Investment fee and expense yields are calculated as investment fees and expenses as a percent of average quarterly asset estimated fair values. Asset estimated fair values exclude collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

(3) Adjusted net investment income presented in the yield table varies from the most directly comparable GAAP measure due to certain reclassifications, as presented below.

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Net investment income	$ 1,187	$ 916
Less: Investment hedge adjustments	(5)	(4)
Adjusted net investment income — in the above yield table	$ 1,192	$ 920

See "— Results of Operations — Consolidated Results for the Three Months Ended March 31, 2021 and 2020 for an analysis of the period over period changes in net investment income.

Fixed Maturity Securities Available-for-sale

Fixed maturity securities held by type (public or private) were as follows at:

	March 31, 2021		December 31, 2020	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Publicly-traded	$ 65,298	82.7 %	$ 68,328	82.8 %
Privately-placed	13,673	17.3	14,167	17.2
Total fixed maturity securities	$ 78,971	100.0 %	$ 82,495	100.0 %
Percentage of cash and invested assets	73.7 %		72.6 %	

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on our valuation controls and procedures including our formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value.

See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about fixed maturity securities by sector, contractual maturities, continuous gross unrealized losses and the allowance for credit losses.

Fixed Maturity Securities Credit Quality — Ratings

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS — Fixed Maturity Securities Credit Quality — Ratings" included in our 2020 Annual Report for a discussion of the credit quality ratings assigned by Nationally Recognized Statistical Rating Organizations ("NRSRO"), credit quality designations assigned by and methodologies used by the Securities Valuation Office of the National Association of Insurance Commissioners ("NAIC") for fixed maturity securities and the methodologies adopted by the NAIC for certain Structured Securities.

The following table presents total fixed maturity securities by NRSRO rating and the applicable NAIC designation from the NAIC published comparison of NRSRO ratings to NAIC designations, except for certain Structured Securities, which are presented using the NAIC methodologies, as well as the percentage, based on estimated fair value that each NAIC designation is comprised of at:

		March 31, 2021					December 31, 2020				
NAIC Designation	NRSRO Rating	Amortized Cost	Allowance for Credit Losses	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Allowance for Credit Losses	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(Dollars in millions)									
1	Aaa/Aa/A	$ 44,646	$ —	$ 5,010	$ 49,656	62.9 %	$ 44,189	$ —	$ 8,492	$ 52,681	63.8 %
2	Baa	23,973	—	1,805	25,778	32.6	23,022	—	3,338	26,360	32.0
Subtotal investment grade		68,619	—	6,815	75,434	95.5	67,211	—	11,830	79,041	95.8
3	Ba	2,462	—	77	2,539	3.2	2,408	—	118	2,526	3.1
4	B	857	2	10	865	1.1	814	—	20	834	1.0
5	Caa and lower	138	6	(1)	131	0.2	91	2	—	89	0.1
6	In or near default	2	—	—	2	—	5	—	—	5	—
Subtotal below investment grade		3,459	8	86	3,537	4.5	3,318	2	138	3,454	4.2
Total fixed maturity securities		$ 72,078	$ 8	$ 6,901	$ 78,971	100.0 %	$ 70,529	$ 2	$ 11,968	$ 82,495	100.0 %

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO rating and the applicable NAIC designations from the NAIC published comparison of NRSRO ratings to NAIC designations, except for certain Structured Securities, which are presented using the NAIC methodologies as described above:

	Fixed Maturity Securities — by Sector & Credit Quality Rating						
NAIC Designation	1	2	3	4	5	6	Total Estimated Fair Value
NRSRO Rating	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	
				(In millions)			
March 31, 2021							
U.S. corporate	$ 16,687	$ 16,834	$ 1,750	$ 695	$ 53	$ —	$ 36,019
Foreign corporate	3,392	7,142	568	98	33	—	11,233
U.S. government and agency	7,661	150	—	—	—	—	7,811
RMBS	7,710	57	21	11	25	2	7,826
CMBS	6,295	206	103	52	10	—	6,666
State and political subdivision	4,410	183	1	—	7	—	4,601
ABS	2,713	323	11	4	—	—	3,051
Foreign government	788	883	85	5	3	—	1,764
Total fixed maturity securities	$ 49,656	$ 25,778	$ 2,539	$ 865	$ 131	$ 2	$ 78,971
December 31, 2020							
U.S. corporate	$ 18,201	$ 17,303	$ 1,706	$ 646	$ 50	$ —	$ 37,906
Foreign corporate	3,520	7,286	572	124	9	—	11,511
U.S. government and agency	8,481	157	—	—	—	—	8,638
RMBS	8,204	40	19	11	20	—	8,294
CMBS	6,450	176	109	44	6	5	6,790
State and political subdivision	4,450	188	2	—	—	—	4,640
ABS	2,549	319	12	4	—	—	2,884
Foreign government	826	891	106	5	4	—	1,832
Total fixed maturity securities	$ 52,681	$ 26,360	$ 2,526	$ 834	$ 89	$ 5	$ 82,495

U.S. and Foreign Corporate Fixed Maturity Securities

We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. Our portfolio does not have any exposure to any single issuer in excess of 1% of total investments and the top ten holdings in aggregate comprise 2% of total investments at both March 31, 2021 and December 31, 2020. Our U.S. and foreign corporate fixed maturity securities holdings by industry were as follows at:

	March 31, 2021		December 31, 2020	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
		(Dollars in millions)		
Industrial	$ 14,822	31.4 %	$ 15,541	31.5 %
Consumer	10,883	23.0	11,535	23.3
Finance	11,225	23.8	11,452	23.2
Utility	6,850	14.5	7,412	15.0
Communications	3,472	7.3	3,477	7.0
Total	$ 47,252	100.0 %	$ 49,417	100.0 %

Structured Securities

We held $17.5 billion and $18.0 billion of Structured Securities, at estimated fair value, at March 31, 2021 and December 31, 2020, respectively, as presented in the RMBS, CMBS and ABS sections below.

RMBS

Our RMBS holdings are diversified by security type, risk profile and ratings profile, which were as follows at:

	March 31, 2021			December 31, 2020		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)					
Security type:						
Collateralized mortgage obligations	$ 4,764	60.9 %	$ 399	$ 4,852	58.5 %	$ 484
Pass-through securities	3,062	39.1	103	3,442	41.5	157
Total RMBS	$ 7,826	100.0 %	$ 502	$ 8,294	100.0 %	$ 641
Risk profile:						
Agency	$ 6,053	77.3 %	$ 361	$ 6,519	78.6 %	$ 502
Prime	141	1.8	5	167	2.0	5
Alt-A	827	10.6	75	793	9.6	67
Sub-prime	805	10.3	61	815	9.8	67
Total RMBS	$ 7,826	100.0 %	$ 502	$ 8,294	100.0 %	$ 641
Ratings profile:						
Rated Aaa	$ 6,271	80.1 %		$ 6,738	81.2 %	
Designated NAIC 1	$ 7,710	98.5 %		$ 8,204	98.9 %	

Historically, our exposure to sub-prime RMBS holdings has been managed by focusing primarily on senior tranche securities, stress-testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. Our sub-prime RMBS portfolio consists predominantly of securities that were purchased after 2012 at significant discounts to par value and discounts to the expected principal recovery value of these securities. The vast majority of these securities are investment grade under the NAIC designations (e.g., NAIC 1 and NAIC 2).

CMBS

Our CMBS holdings are diversified by vintage year, which were as follows at:

	March 31, 2021		December 31, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
2003 - 2010	$ 93	$ 105	$ 93	$ 115
2011	13	13	66	66
2012	146	147	146	148
2013	210	216	214	218
2014	346	360	347	367
2015	956	1,016	956	1,035
2016	470	499	472	515
2017	716	768	701	781
2018	1,677	1,834	1,664	1,906
2019	1,028	1,054	990	1,072
2020	555	538	558	567
2021	117	116	—	—
Total	$ 6,327	$ 6,666	$ 6,207	$ 6,790

The estimated fair value of CMBS rated Aaa using rating agency ratings was $4.8 billion, or 71.4% of total CMBS, and designated NAIC 1 was $6.3 billion, or 94.4% of total CMBS, at March 31, 2021. The estimated fair value of CMBS Aaa rating agency ratings was $5.0 billion, or 73.4% of total CMBS, and designated NAIC 1 was $6.5 billion, or 95.0% of total CMBS at December 31, 2020.

ABS

Our ABS holdings are diversified by both collateral type and issuer. Our ABS holdings by collateral type and ratings profile were as follows at:

	March 31, 2021			December 31, 2020		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)					
Collateral type:						
Collateralized obligations	$ 1,766	57.9 %	$ 9	$ 1,762	61.1 %	$ 5
Consumer loans	246	8.1	4	250	8.7	6
Student loans	275	9.0	6	247	8.6	5
Automobile loans	114	3.7	4	92	3.2	5
Credit card loans	83	2.7	5	53	1.8	7
Other loans	567	18.6	18	480	16.6	22
Total	$ 3,051	100.0 %	$ 46	$ 2,884	100.0 %	$ 50
Ratings profile:						
Rated Aaa	$ 1,604	52.6 %		$ 1,512	52.4 %	
Designated NAIC 1	$ 2,713	88.9 %		$ 2,549	88.4 %	

Allowance for Credit Losses for Fixed Maturity Securities

See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the evaluation of fixed maturity securities for an allowance for credit losses or write-offs due to uncollectibility.

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. The estimated fair value of the securities loaned is monitored on a daily basis with additional collateral obtained as necessary throughout the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. We are liable to return to our counterparties the cash collateral under our control. Security collateral received from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected in the financial statements. These transactions are treated as financing arrangements and the associated cash collateral liability is recorded at the amount of the cash received.

See "— Liquidity and Capital Resources — The Company — Primary Uses of Liquidity and Capital — Securities Lending" and Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding our securities lending program.

Mortgage Loans

Our mortgage loans are principally collateralized by commercial, agricultural and residential properties. Information regarding mortgage loans by portfolio segment is summarized as follows at:

	March 31, 2021				December 31, 2020			
	Amortized Cost	% of Total	Allowance for Credit Losses	% of Amortized Cost	Amortized Cost	% of Total	Allowance for Credit Losses	% of Amortized Cost
	(Dollars in millions)							
Commercial	$ 9,642	61.1 %	$ 45	0.5 %	$ 9,714	61.1 %	$ 44	0.5 %
Agricultural	3,607	22.9 %	13	0.4 %	3,538	22.2 %	15	0.4 %
Residential	2,532	16.0 %	33	1.3 %	2,650	16.7 %	35	1.3 %
Total	$ 15,781	100.0 %	$ 91	0.6 %	$ 15,902	100.0 %	$ 94	0.6 %

Our mortgage loan portfolio is diversified by both geographic region and property type to reduce the risk of concentration. The percentage of our commercial and agricultural mortgage loan portfolios collateralized by properties located in the U.S. were 96% at both March 31, 2021 and December 31, 2020. The remainder was collateralized by properties located outside of the U.S. The carrying value as a percentage of total commercial and agricultural mortgage loans for the top three states in the U.S. was as follows at:

	March 31, 2021
California	23%
New York	12%
Texas	8%

Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending up to 75% of the estimated fair value of the underlying real estate collateral.

Our residential mortgage loan portfolio is managed in a similar manner to reduce risk of concentration. All residential mortgage loans were collateralized by properties located in the U.S. at both March 31, 2021 and December 31, 2020. The carrying value as a percentage of total residential mortgage loans for the top three states in the U.S. was as follows at:

	March 31, 2021
California	35%
Florida	9%
New York	9%

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class. The diversification across geographic regions and property types of commercial mortgage loans was as follows at:

	March 31, 2021		December 31, 2020	
	Amount	% of Total	Amount	% of Total
	(Dollars in millions)			
Geographic region:				
Pacific	$ 2,556	26.5 %	$ 2,670	27.5 %
South Atlantic	1,915	19.9	1,832	18.9
Middle Atlantic	1,823	18.9	1,861	19.1
West South Central	808	8.4	802	8.2
Mountain	735	7.6	736	7.6
East North Central	593	6.1	596	6.1
International	503	5.2	506	5.2
New England	451	4.7	453	4.7
West North Central	113	1.2	113	1.2
East South Central	80	0.8	80	0.8
Multi-region and Other	65	0.7	65	0.7
Total recorded investment	9,642	100.0 %	9,714	100.0 %
Less: allowance for credit losses	45		44	
Carrying value, net of allowance for credit losses	$ 9,597		$ 9,670	
Property type:				
Office	$ 3,705	38.4 %	$ 3,788	39.0 %
Apartment	2,114	21.9	2,072	21.3
Retail	1,957	20.3	2,068	21.3
Hotel	933	9.7	934	9.6
Industrial	905	9.4	822	8.5
Other	28	0.3	30	0.3
Total recorded investment	9,642	100.0 %	9,714	100.0 %
Less: allowance for credit losses	45		44	
Carrying value, net of allowance for credit losses	$ 9,597		$ 9,670	

Mortgage Loan Credit Quality — Monitoring Process. Our mortgage loan investments are monitored on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. Quarterly, we conduct a formal review of the portfolio with our investment managers. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information on mortgage loans by credit quality indicator, past due status, nonaccrual status and modified mortgage loans.

Our commercial mortgage loans are reviewed on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt-service coverage ratios and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt-service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and sector basis. Our residential mortgage loans are reviewed on an ongoing basis. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information on our evaluation of residential mortgage loans and related measurement of allowance for credit losses.

Loan-to-value ratios and debt-service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt-service coverage ratio compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt-service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 58% and 57% at March 31, 2021 and December 31, 2020, respectively, and our average debt-service coverage ratio was 2.2x and 2.3x at March 31, 2021 and December 31, 2020, respectively. The debt-service coverage ratio, as well as the values utilized in calculating the ratio, is updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of our ongoing review of our commercial mortgage loan portfolio. For our agricultural mortgage loans, our average loan-to-value ratio was 49% and 48% at March 31, 2021 and December 31, 2020, respectively. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

Loan Modifications Related to the COVID-19 Pandemic. Our investment managers' underwriting and credit management practices are proactively refined to meet the changing economic environment. To actively mitigate losses and enhance borrower support across the mortgage loan portfolio segments, we have expanded our loan modification and customer assistance programs.

Since March 1, 2020, we have completed loan modifications and have provided waivers to certain covenants, including the furniture, fixture and expense reserves, tenant rent payment deferrals or lease modifications, rate reductions, maturity date extensions, and other actions with a number of our borrowers impacted by the COVID-19 pandemic. A subset of these modifications included short-term principal and interest forbearance. At March 31, 2021, the recorded investment on mortgage loans where borrowers were offered debt-service forbearance and were not making payments was $250 million, comprised of $155 million commercial mortgage loans, $23 million of agricultural mortgage loans and $72 million of residential mortgage loans. At December 31, 2020, the recorded investment on mortgage loans where borrowers were offered debt-service forbearance and were not making payments was $299 million, comprised of $197 million commercial mortgage loans, $23 million of agricultural mortgage loans and $79 million of residential mortgage loans. These types of modifications are generally not considered troubled debt restructurings ("TDRs") due to certain relief granted by U.S. federal legislation in March 2020. For more information on TDRs, see Note 4 to the Interim Condensed Consolidated Financial Statements.

Mortgage Loan Allowance for Credit Losses. See Notes 4 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how the allowance for credit losses is established and monitored, as well as activity in and balances of the allowance for credit losses for the three months ended March 31, 2021 and 2020.

Limited Partnerships and Limited Liability Companies

The carrying values of our limited partnerships and limited liability companies ("LLCs") were as follows at:

	March 31, 2021	December 31, 2020
	(In millions)	
Other limited partnerships interests	$ 2,780	$ 2,373
Real estate limited partnerships and LLCs (1)	439	437
Total	$ 3,219	$ 2,810

(1) The estimated fair value of real estate limited partnerships and LLCs was $507 million and $501 million at March 31, 2021 and December 31, 2020, respectively.

Cash distributions on these investments are generated from investment gains, operating income from the underlying investments of the funds and liquidation of the underlying investments of the funds. We estimate that the underlying investment of the private equity funds will typically be liquidated over the next 10 to 20 years.

Other Invested Assets

The carrying value of our other invested assets by type was as follows at:

	March 31, 2021		December 31, 2020	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Freestanding derivatives with positive estimated fair values	$ 2,103	92.8 %	$ 3,582	95.6 %
Tax credit renewable energy partnerships	61	2.7	64	1.7
Leveraged leases, net of non-recourse debt	50	2.2	50	1.3
FHLB Stock	40	1.8	39	1.1
Other	13	0.5	12	0.3
Total	$ 2,267	100.0 %	$ 3,747	100.0 %

Derivatives

Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements:

- Information about the gross notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at March 31, 2021 and December 31, 2020.
- The statement of operations effects of derivatives in cash flow, fair value or non-qualifying hedge relationships for the three months ended March 31, 2021 and 2020.

See “Business — Segments and Corporate & Other — Annuities,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies — ULSG Market Risk Exposure Management” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Annual Actuarial Review” included in our 2020 Annual Report for more information about our use of derivatives by major hedging programs.

Fair Value Hierarchy

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, as well as a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs as discussed below.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

Derivatives categorized as Level 3 at March 31, 2021 include: credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; foreign currency swaps with certain unobservable inputs and equity index options with unobservable correlation inputs.

Credit Risk

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives on the balance sheets and does not affect our legal right of offset.

Credit Derivatives

The gross notional amount and estimated fair value of credit default swaps were as follows at:

	March 31, 2021		December 31, 2020	
	Gross Notional Amount	Estimated Fair Value	Gross Notional Amount	Estimated Fair Value
	(In millions)			
Written	$ 1,774	$ 36	$ 1,755	$ 41
Purchased	18	—	18	—
Total	$ 1,792	$ 36	$ 1,773	$ 41

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by state insurance regulators and the NAIC and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we can replicate the desired bond exposures and meet our ALM needs. This can expose the Company to changes in credit spreads as the written credit default swap tenor is shorter than the maturity of Treasury bonds.

Embedded Derivatives

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for (i) information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy and (ii) a rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

Off-Balance Sheet Arrangements

Collateral for Securities Lending and Derivatives

We have a securities lending program for the purpose of enhancing the total return on our investment portfolio. Periodically, we receive non-cash collateral for securities lending from counterparties, which cannot be sold or re-pledged, and which is not recorded on our consolidated balance sheets. The Company did not hold non-cash collateral at either March 31, 2021 or December 31, 2020. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as "— Investments — Securities Lending" for discussion of our securities lending program, the classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which has not been recorded on our consolidated balance sheets. The amount of this non-cash collateral was $70 million and $898 million at March 31, 2021 and December 31, 2020, respectively. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Guarantees

See "Guarantees" in Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements.

Other

Additionally, we enter into commitments for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnership investments, bank credit facilities and private corporate bond investments. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments. See also "— Investments — Fixed Maturity Securities AFS" and "— Investments — Mortgage Loans" for information on our investments in fixed maturity securities and mortgage loans. See "— Investments — Limited Partnerships and Limited Liability Companies" for information on our partnership investments.

Other than the commitments disclosed in Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund mortgage loans, partnership investments, bank credit facilities and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities and private corporate bond investments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Contractual Obligations" included in our 2020 Annual Report.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the financial statements in conformity with GAAP. For more details on policyholder liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities" included in our 2020 Annual Report. Except as otherwise discussed below, there have been no material changes to our actuarial liabilities.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements. A discussion of future policy benefits by segment, as well as Corporate & Other, can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities" included in our 2020 Annual Report.

Policyholder Account Balances

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as "— Liquidity and Capital Resources — The Company — Primary Sources of Liquidity and Capital — Funding Sources — Funding Agreements." A discussion of policyholder account balances by segment, as well as Corporate & Other, can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities" included in our 2020 Annual Report.

Variable Annuity Guarantees

We issue certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the Benefit Base) less withdrawals. In some cases, the Benefit Base may be increased by additional deposits, bonus amounts, accruals or optional market value step-ups. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements. See also "Quantitative and Qualitative Disclosures About Market Risk — Market Risk - Fair Value Exposures — Interest Rates" and "Business — Segments and Corporate & Other — Annuities — Overview — Current Products — Variable Annuities" included in our 2020 Annual Report for additional information.

Select information that management considers relevant to understanding our variable annuity risk management strategy has been included below.

Net Amount at Risk

The net amount at risk ("NAR") for the GMIB is 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 our potential economic exposure to such guarantees in the event all contract holders were to annuitize on the balance sheet date, even though the guaranteed amount under the contract may not be annuitized until after the waiting period of the contract.

The NAR for the guaranteed minimum accumulation benefits (“GMAB”) and guaranteed minimum withdrawal benefits (“GMWB”) is the amount of guaranteed benefits in excess of the account values (if any) as of the balance sheet date. The NAR assumes utilization of benefits by all contract holders as of the balance sheet date. For the GMAB, the NAR would not be available until the GMAB maturity date. For the GMWB, only a small portion of the Benefit Base is available for withdrawal on an annual basis.

The NAR for the GMWB with lifetime payments (“GMWB4L”) is 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 lifetime amount provided under the guaranteed benefit. For contracts where the GMWB4L provides for a guaranteed cumulative dollar amount of payments, the NAR is based on the purchase of a lifetime with period certain income stream where the period certain ensures payment of this cumulative dollar amount. The NAR represents our potential economic exposure to such guarantees in the event all contract holders were to begin lifetime withdrawals on the balance sheet date regardless of age. Only a small portion of the Benefit Base is available for withdrawal on an annual basis.

The NAR for the GMDB is the amount of death benefit in excess of the account value (if any) as of the balance sheet date. It represents the amount of the claim we would incur if death claims were made 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.

A detailed description of NAR by type of guaranteed minimum benefit can be found in “Business — Segments and Corporate & Other — Annuities — Overview — Net Amount at Risk” included in our 2020 Annual Report.

The variable annuity account values and NAR by type of guaranteed minimum benefit were as follows at:

	March 31, 2021 (1)				December 31, 2020 (1)			
	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)
	(Dollars in millions)							
GMIB	$ 42,735	$ 1,898	$ 5,452	41.8 %	$ 42,693	$ 1,930	$ 6,482	49.0 %
GMIB Max with EDB (3)	11,115	3,129	162	15.4 %	11,457	2,869	173	16.7 %
GMIB Max without EDB	6,312	4	33	6.3 %	6,524	2	37	7.2 %
GMAB	725	1	1	2.1 %	723	1	1	0.2 %
GMWB	2,812	39	6	3.0 %	2,803	38	6	0.9 %
GMWB4L	15,135	89	520	21.4 %	15,165	80	718	27.5 %
GMWB4L (FlexChoice[SM])	6,203	8	123	26.3 %	5,823	3	145	30.0 %
EDB Only	3,893	579	—	N/A	3,908	556	—	N/A
GMDB Only (Other than EDB)	19,603	961	—	N/A	19,328	959	—	N/A
Total	$ 108,533	$ 6,708	$ 6,297		$ 108,424	$ 6,438	$ 7,562	

(1) The “Death Benefit NAR” and “Living Benefit NAR” are not additive at the contract level.

(2) In-the-money is defined as any contract with a living benefit NAR in excess of zero.

(3) EDB is defined as enhanced death benefits.

Reserves

Under GAAP, certain of our variable annuity guarantee features are accounted for as insurance liabilities and reported on the balance sheet in future policy benefits with changes reported in policyholder benefits and claims. These liabilities are accounted for using long-term assumptions of equity and bond market returns and the level of interest rates. Therefore, these liabilities, valued at $6.0 billion at March 31, 2021, are less sensitive than derivative instruments to periodic changes to equity and fixed income market returns and the level of interest rates. Guarantees accounted for as insurance liabilities in future policy benefits include GMDBs, the life contingent portion of GMWBs and the portion of the GMIBs that require annuitization, as well as the life contingent portion of the expected annuitization when the policyholder is required to annuitize upon depletion of their account value.

All other variable annuity guarantee features are accounted for as embedded derivatives and reported on the balance sheet in policyholder account balances with changes reported in net derivative gains (losses). These liabilities, valued at $1.7 billion at March 31, 2021, are accounted for at estimated fair value. In some cases, a guarantee will have multiple features or options that require separate accounting such that the guarantee is not fully accounted for under only one of the accounting models (known as "split accounting"). Additionally, the index protection and accumulation features of Shield are accounted for as embedded derivatives and reported on the balance sheet in policyholder account balances with changes reported in net derivative gains (losses). These liabilities, valued at $4.5 billion at March 31, 2021, are accounted for at estimated fair value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" included in our 2020 Annual Report.

The variable annuity reserve balances by guarantee type were as follows at:

	March 31, 2021			December 31, 2020		
	Future Policy Benefits	Policyholder Account Balances	Total Reserves	Future Policy Benefits	Policyholder Account Balances	Total Reserves
			(In millions)			
GMDB	$ 1,402	$ —	$ 1,402	$ 1,355	$ —	$ 1,355
GMIB	3,407	1,730	5,137	3,499	2,496	5,995
GMIB Max	888	(31)	857	871	153	1,024
GMAB	—	(10)	(10)	—	1	1
GMWB	—	26	26	—	47	47
GMWB4L	300	12	312	291	218	509
GMWB4L (FlexChoice^{SM})	—	(6)	(6)	—	5	5
Total	$ 5,997	$ 1,721	$ 7,718	$ 6,016	$ 2,920	$ 8,936

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity market volatility, or interest rates. Carrying values are also affected by our assumptions around mortality, separate account returns and policyholder behavior, including lapse, annuitization and withdrawal rates. See "Risk Factors — Risks Related to Our Business — Guarantees within certain of our annuity products may decrease our earnings, decrease our capitalization, increase the volatility of our results, result in higher risk management costs and expose us to increased market risk" included in our 2020 Annual Report. Furthermore, changes in policyholder behavior assumptions can result in additional changes in accounting estimates.

Derivatives Hedging Variable Annuity Guarantees

The gross notional amount and estimated fair value of the derivatives held in our macro interest rate hedging program were as follows at:

	March 31, 2021			December 31, 2020		
		Estimated Fair Value			Estimated Fair Value	
Instrument Type	Gross Notional Amount (1)	Assets	Liabilities	Gross Notional Amount (1)	Assets	Liabilities
			(In millions)			
Interest rate swaps	$ 2,430	$ 259	$ —	$ 2,180	$ 358	$ —
Interest rate options	32,340	192	141	25,980	712	121
Interest rate forwards	8,965	78	609	8,086	851	78
Total	$ 43,735	$ 529	$ 750	$ 36,246	$ 1,921	$ 199

(1) The gross notional amounts presented do not necessarily represent the relative economic coverage provided by option instruments because certain positions were closed out by entering into offsetting positions that are not netted in the above table.

The gross notional amount and estimated fair value of the derivatives in our variable annuity hedging program as well as the interest rate hedges allocated from our macro interest rate hedging program were as follows at:

	March 31, 2021			December 31, 2020		
	Gross Notional Amount (1)	Estimated Fair Value		Gross Notional Amount (1)	Estimated Fair Value	
Instrument Type		Assets	Liabilities		Assets	Liabilities
	(In millions)					
Equity index options	$ 27,732	$ 935	$ 871	$ 28,955	$ 942	$ 838
Equity total return swaps	24,428	156	293	15,056	143	822
Equity variance swaps	1,098	16	13	1,098	13	20
Interest rate swaps	2,430	259	—	2,180	358	—
Interest rate options	31,140	156	118	24,780	531	121
Interest rate forwards	4,346	—	333	3,466	208	26
Total	$ 91,174	$ 1,522	$ 1,628	$ 75,535	$ 2,195	$ 1,827

(1) The gross notional amounts presented do not necessarily represent the relative economic coverage provided by option instruments because certain positions were closed out by entering into offsetting positions that are not netted in the above table.

Period-to-period changes in the estimated fair value of these hedges affect our net income, as well as stockholders' equity and these effects can be material in any given period. See "Risk Factors — Risks Related to Our Business — Our variable annuity exposure risk management strategy may not be effective, may result in significant volatility in our profitability measures and may negatively affect our statutory capital," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management Strategies" included in our 2020 Annual Report.

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. Changing conditions in the global capital markets and the economy may affect our financing costs and market interest rates for our debt or equity securities. 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 "— Industry Trends — COVID-19 Pandemic" and "— Investments — Current Environment," as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties," and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment" included in our 2020 Annual Report.

Liquidity and Capital Management

Based upon our capitalization, expectations regarding maintaining our business mix, ratings, and funding sources available to us, we believe we have sufficient liquidity to meet business requirements in current market conditions and certain stress scenarios. Our Board of Directors and senior management are directly involved in the governance of the capital management process, including proposed changes to the annual capital plan and capital targets. We continuously monitor and adjust our liquidity and capital plans in light of market conditions, as well as changing needs and opportunities.

We maintain a substantial short-term liquidity position, which was $3.9 billion and $4.5 billion at March 31, 2021 and December 31, 2020, respectively. Short-term liquidity is comprised of cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, derivatives and assets held on deposit or in trust.

An integral part of our liquidity management includes managing our level of liquid assets, which was $48.9 billion and $52.0 billion at March 31, 2021 and December 31, 2020, respectively. Liquid assets are comprised of cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, derivatives and assets held on deposit or in trust.

The Company

Liquidity

Liquidity refers to our ability to generate adequate cash flows from our normal operations to meet the cash requirements of our operating, investing and financing activities. We determine our liquidity needs based on a rolling 12-month forecast by portfolio of invested assets, which we monitor daily. We adjust the general account asset and derivatives mix and general account asset maturities based on this rolling 12-month forecast. To support this forecast, we conduct cash flow and stress testing, which reflect the impact of various scenarios, including (i) the potential increase in our requirement to pledge additional collateral or return collateral to our counterparties, (ii) a reduction in new business sales, and (iii) the risk of early contract holder and policyholder withdrawals, as well as lapses and surrenders of existing policies and contracts. We include provisions limiting withdrawal rights in many of our products, which deter the customer from making withdrawals prior to the maturity date of the product. If significant cash is required beyond our anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternative sources of liquidity include cash flows from operations, sales of liquid assets and funding sources, including secured funding agreements, unsecured credit facilities and secured committed facilities.

Under certain adverse market and economic conditions, our access to liquidity may deteriorate, or the cost to access liquidity may increase.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate cash flows within our insurance companies, our ability to effectively manage the risks of our businesses and our expected ability to borrow funds and raise additional capital to meet operating and growth needs under a variety of market and economic conditions.

We target to maintain a debt-to-capital ratio of approximately 25%, which we monitor using an average of our key leverage ratios as calculated by A.M. Best, Fitch, Moody’s and S&P. As such, we may opportunistically look to pursue additional financing over time, which may include borrowings under credit facilities, the issuance of debt, equity or hybrid securities, the incurrence of term loans, or the refinancing of existing indebtedness. There can be no assurance that we will be able to complete any such financing transactions on terms and conditions favorable to us or at all.

In support of our target combined risk-based capital (“RBC”) ratio between 400% and 450% in normal market conditions, we expect to continue to maintain a capital and exposure risk management program that targets total assets supporting our variable annuity contracts at or above the average of the worst two percent of a set of capital market scenarios over the life of the contracts (“CTE98”) level in normal market conditions. We refer to our target level of assets as our Variable Annuity Target Funding Level. While total assets supporting our variable annuity capital may exceed the CTE98 level, under stressed conditions, we intend to allow such assets supporting our variable annuity contracts to range between a target floor level of CTE95 (the average of the worst five percent of a set of capital market scenarios over the life of the contracts) and CTE98.

On February 10, 2021, we authorized the repurchase of up to $200 million of our common stock, which is in addition to the $1.1 billion aggregate stock repurchase authorizations announced in February 2020, May 2019 and August 2018. Repurchases made under the February 10, 2021 authorization may be made through open market purchases, including pursuant to 10b5-1 plans or pursuant to accelerated stock repurchase plans, or through privately negotiated transactions, from time to time at management’s discretion in accordance with applicable legal requirements. Common stock repurchases are dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of our common stock compared to management’s assessment of the stock’s underlying value and applicable regulatory approvals, as well as other legal and accounting factors.

We currently have no plans to declare and pay dividends on our common stock. Any future declaration and payment of dividends or other distributions or returns of capital will be at the discretion of our Board of Directors and will depend on and be subject to our financial condition, results of operations, cash needs, regulatory and other constraints, capital requirements (including capital requirements of our insurance subsidiaries), contractual restrictions and any other factors that our Board of Directors deems relevant in making such a determination. Therefore, there can be no assurance that we will pay any dividends or make other distributions or returns of capital on our common stock, or as to the amount of any such dividends, distributions or returns of capital.

Rating Agencies

Credit rating agencies may continue to review and adjust our ratings. For example, in April 2020, Fitch revised the rating outlook for BHF and certain of its subsidiaries 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 BHF and certain of its subsidiaries from negative back to stable. See “Risk Factors — Risks Related to Our Business — A downgrade or a potential downgrade in our financial strength or credit 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

Our primary sources and uses of liquidity and capital were as follows at:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Sources:		
Operating activities, net	$ —	$ 96
Changes in policyholder account balances, net	1,360	1,496
Changes in payables for collateral under securities loaned and other transactions, net	—	6,597
Total sources	1,360	8,189
Uses:		
Operating activities, net	104	—
Investing activities, net	200	1,484
Changes in payables for collateral under securities loaned and other transactions, net	971	—
Dividends on preferred stock	25	7
Treasury stock acquired in connection with share repurchases	68	142
Financing element on certain derivative instruments and other derivative related transactions, net	67	486
Other, net	8	17
Total uses	1,443	2,136
Net increase (decrease) in cash and cash equivalents	$ (83)	$ 6,053

Cash Flows from Operating Activities

The principal cash inflows from our insurance activities come from insurance premiums, annuity considerations and net investment income. The principal cash outflows are the result of various annuity and life insurance products, operating expenses and income tax, as well as interest expense. The primary liquidity concern with respect to these cash flows is the risk of early contract holder and policyholder withdrawal.

Cash Flows from Investing Activities

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments, as well as settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments and settlements of freestanding derivatives. We typically can have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Cash Flows from Financing Activities

The principal cash inflows from our financing activities come from issuances of debt and equity securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt, common stock repurchases, preferred stock dividends, withdrawals associated with policyholder account balances and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early policyholder withdrawal.

Primary Sources of Liquidity and Capital

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

Funding Sources

Liquidity is provided by a variety of funding sources, including secured and unsecured funding agreements, unsecured credit facilities and secured committed facilities. Capital is provided by a variety of funding sources, including issuances of debt and equity securities, as well as borrowings under our credit facilities. We maintain a shelf registration statement with the SEC that permits the issuance of public debt, equity and hybrid securities. As a "Well-Known Seasoned Issuer" under SEC rules, our shelf registration statement provides for automatic effectiveness upon filing and has no stated issuance capacity. The diversity of our funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary funding sources include:

Preferred Stock

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements and Note 10 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report for information on preferred stock issuances.

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 it maintains 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.

Debt Issuances

See Note 9 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report for information on debt issuances.

Credit and Committed Facilities

See Note 9 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report for information regarding our credit and committed facilities.

We have no reason to believe that our lending counterparties would be unable to fulfill their respective contractual obligations under these facilities. As commitments under our credit and committed facilities may expire unused, these amounts do not necessarily reflect our actual future cash funding requirements.

Outstanding Long-term Debt

Our outstanding long-term debt was as follows at:

	March 31, 2021	December 31, 2020
	(In millions)	
Senior notes	$ 3,042	$ 3,042
Junior subordinated debentures	363	363
Other long-term debt (1)	30	31
Total long-term debt (2)	$ 3,435	$ 3,436

(1) Represents non-recourse debt for which creditors have no access, subject to customary exceptions, to the general assets of the Company other than recourse to certain investment companies.

(2) Includes unamortized debt issuance costs, discounts and premiums, as applicable, totaling net $35 million at both March 31, 2021 and December 31, 2020, for senior notes and junior subordinated debentures on a combined basis.

See Note 9 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report for additional information regarding the terms of our long-term debt.

Debt and Facility Covenants

Our debt instruments and credit and committed facilities contain certain administrative, reporting and legal covenants. Additionally, our Revolving Credit Facility contains financial covenants, including requirements to maintain a specified minimum adjusted consolidated net worth, to maintain a ratio of total indebtedness to total capitalization not in excess of a specified percentage and that place limitations on the dollar amount of indebtedness that may be incurred by our subsidiaries, which could restrict our operations and use of funds. At March 31, 2021, we were in compliance with these financial covenants.

Primary Uses of Liquidity and Capital

In addition to the summarized description of liquidity and capital uses discussed in "— Sources and Uses of Liquidity and Capital," the following additional information is provided regarding our primary uses of liquidity and capital:

Common Stock Repurchases

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information relating to authorizations to repurchase BHF common stock, amounts of common stock repurchased pursuant to such authorizations and the amount remaining under such authorizations at March 31, 2021. Subsequent to March 31, 2021 and through May 6, 2021, BHF repurchased an additional 1,066,550 shares of its common stock through open market purchases, pursuant to 10b5-1 plans, for $49 million.

Preferred Stock Dividends

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information relating to dividends declared and paid on our preferred stock.

Debt Repayments

See Note 9 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report for information on debt repayments.

Debt Repurchases, Redemptions and Exchanges

We may from time to time seek to retire or purchase our outstanding indebtedness through cash purchases or exchanges for other securities, purchases in the open market, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not we repurchase any debt and the size and timing of any such repurchases will be determined at our discretion.

See Note 9 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report for additional information on debt repurchases.

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various annuity and life insurance products, as well as payments for policy surrenders, withdrawals and loans. Surrender or lapse behavior differs somewhat by product but tends to occur in the ordinary course of business. During the three months ended March 31, 2021 and 2020, general account surrenders and withdrawals totaled $712 million and $545 million, respectively, of which $612 million and $517 million, respectively, was attributable to products within the Annuities segment.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At both March 31, 2021 and December 31, 2020, we did not pledge any cash collateral to counterparties. At March 31, 2021 and December 31, 2020, we were obligated to return cash collateral pledged to us by counterparties of $951 million and $1.6 billion, respectively. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for additional information about pledged collateral. We also pledge collateral from time to time in connection with funding agreements.

Securities Lending

We have a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of $3.3 billion and $3.7 billion at March 31, 2021 and December 31, 2020, respectively. Of these amounts, $907 million and $937 million at March 31, 2021 and December 31, 2020, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. 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 that, if put back to us, could be immediately sold to satisfy the cash requirement. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements.

Litigation

Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discussed elsewhere herein and those otherwise provided for in the financial statements, have arisen in the course of our business, including, but not limited to, in connection with our activities as an insurer, employer, investor, investment advisor, and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. See Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements.

The Parent Company

Liquidity and Capital

In evaluating liquidity, it is important to distinguish the cash flow needs of the parent company from the cash flow needs of the combined group of companies. BHF is largely dependent on cash flows from its insurance subsidiaries to meet its obligations. Constraints on BHF's liquidity may occur as a result of operational demands or as a result of compliance with regulatory requirements.

Short-term Liquidity and Liquid Assets

At both March 31, 2021 and December 31, 2020, BHF and certain of its non-insurance subsidiaries had short-term liquidity of $1.6 billion. Short-term liquidity is comprised of cash and cash equivalents and short-term investments.

At March 31, 2021 and December 31, 2020, BHF and certain of its non-insurance subsidiaries had liquid assets of $1.6 billion and $1.7 billion, respectively, of which $1.5 billion and $1.6 billion, respectively, was held by BHF. Liquid assets are comprised of cash and cash equivalents, short-term investments and publicly-traded securities.

Statutory Capital and Dividends

The NAIC and state insurance departments have established regulations that provide minimum capitalization requirements based on RBC formulas for insurance companies. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital ("TAC") does not meet or exceed certain RBC levels. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the TAC of each of our insurance subsidiaries subject to these requirements was in excess of each of those RBC levels.

The amount of dividends that our insurance subsidiaries can ultimately pay to BHF through their various parent entities provides an additional margin for risk protection and investment in our businesses. Such dividends are constrained by the amount of surplus our insurance subsidiaries hold to maintain their ratings, which is generally higher than minimum RBC requirements. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval. Furthermore, the payment of dividends and other distributions by our insurance subsidiaries is governed by insurance laws and regulations. See Note 10 of the Notes to the Consolidated Financial Statements included in our 2020 Annual Report.

Primary Sources and Uses of Liquidity and Capital

The principal sources of funds available to BHF include distributions from Brighthouse Holdings, LLC ("BH Holdings"), dividends and returns of capital from its insurance subsidiaries and BRCD, capital markets issuances, as well as its own cash and cash equivalents and short-term investments. These sources of funds may also be supplemented by alternate sources of liquidity either directly or indirectly through our insurance subsidiaries. For example, we have established internal liquidity facilities to provide liquidity within and across our regulated and non-regulated entities to support our businesses.

The primary uses of liquidity of BHF include debt-service obligations (including interest expense and debt repayments), preferred stock dividends, capital contributions to subsidiaries, common stock repurchases and payment of general operating expenses. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable BHF to make payments on debt, pay preferred stock dividends, contribute capital to its subsidiaries, repurchase its common stock, pay all general operating expenses and meet its cash needs.

In addition to the liquidity and capital sources discussed in "— The Company — Primary Sources of Liquidity and Capital" and "— The Company — Primary Uses of Liquidity and Capital," the following additional information is provided regarding BHF's primary sources and uses of liquidity and capital:

Distributions from and Capital Contributions to BH Holdings

During the three months ended March 31, 2021 and 2020, BHF did not make any cash capital contributions to BH Holdings and received cash distributions of $0 and $488 million, respectively, from BH Holdings.

Short-term Intercompany Loans

BHF, as borrower, has a short-term intercompany loan agreement with certain of its non-insurance subsidiaries, as lenders, for the purposes of facilitating the management of the available cash of the borrower and the lenders on a short-term and consolidated basis. Such intercompany loan agreement allows management to optimize the efficient use of and maximize the yield on cash between BHF and its subsidiary lenders. Each loan entered into under this intercompany loan agreement has a term not more than 364 days and bears interest on the unpaid principal amount at a variable rate, payable monthly. During the three months ended March 31, 2021 and 2020, BHF borrowed $196 million and $165 million, respectively, from certain of its non-insurance subsidiaries and repaid $200 million and $315 million of such borrowings during the three months ended March 31, 2021 and 2020, respectively. At March 31, 2021 and December 31, 2020, BHF had total obligations outstanding of $449 million and $453 million, respectively, under such agreements.

Intercompany Liquidity Facilities

BHF has established intercompany liquidity facilities with certain of its insurance and non-insurance subsidiaries to provide short-term liquidity within and across the combined group of companies. Under these facilities, which are comprised of a series of revolving loan agreements among BHF and its participating subsidiaries, each company may lend to or borrow from each other, subject to certain maximum limits for a term not more than 364 days. During both the three months ended March 31, 2021 and 2020, there were no borrowings or repayments by BHF under these facilities and, at both March 31, 2021 and December 31, 2020, BHF had no obligations outstanding under such facilities.

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 Brighthouse. 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 or credit 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, credit 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 ability of our subsidiaries to pay dividends to us, and our ability to pay dividends to our shareholders and repurchase our common stock;
- 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.

Corporate Information

We routinely use our Investor Relations website to provide presentations, press releases and other information that may be deemed material to investors. Accordingly, we encourage investors and others interested in the Company to review the information that we share at http://investor.brighthousefinancial.com. In addition, our Investor Relations website allows interested persons to sign up to automatically receive e-mail alerts when we post financial information. Information contained on or connected to any website referenced in this report or any of our other filings with the SEC is not incorporated by reference in this report or in any other report or document we file with the SEC, and any website references are intended to be inactive textual references only unless expressly noted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We regularly analyze our market risk exposure to interest rate, equity market price, credit spreads and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are significantly exposed to changes in interest rates, and to a lesser extent, to changes in equity market prices and foreign currency exchange rates. We have exposure to market risk through our insurance and annuity operations and general account investment activities. For purposes of this discussion, "market risk" is defined as changes in estimated fair value resulting from changes in interest rates, equity market prices, credit spreads and foreign currency exchange rates. We may have additional financial impacts other than changes in estimated fair value, which are beyond the scope of this discussion. A description of our market risk exposures may be found under "Quantitative and Qualitative Disclosures About Market Risk" in our 2020 Annual Report.

There have been no material changes to our market risk exposures from the market risk exposures previously disclosed in our 2020 Annual Report, with the exception of sensitivity to changes in interest rates. Sensitivity to a 100 basis point rise in interest rates decreased by $1.3 billion, or 15%, to $7.4 billion as of March 31, 2021 from $8.7 billion as of December 31, 2020, primarily as a result of the impact of higher interest rates on both the estimated fair value of fixed maturity securities and our interest rate derivative contracts, in line with management expectations.

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. 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 10 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Purchases of BHF common stock made by or on behalf of BHF or its affiliates during the three months ended March 31, 2021 are set forth below:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(In millions)
January 1 — January 31, 2021	481,337	$ 39.10	481,337	$ 61
February 1 — February 28, 2021	463,938	$ 39.63	463,938	$ 243
March 1 — March 31, 2021	862,466	$ 42.94	714,597	$ 212
Total	1,807,741		1,659,872	

(1) Where applicable, total number of shares purchased includes shares of common stock withheld with respect to option exercise costs and tax withholding obligations associated with the exercise or vesting of share-based compensation awards under our publicly announced benefit plans or programs.

(2) On February 10, 2021, we authorized the repurchase of up to $200 million of our common stock, which is in addition to the $1.1 billion aggregate stock repurchase authorizations announced in February 2020, May 2019 and August 2018. For more information on common stock repurchases, see Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements.

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 Financial, Inc. and 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 Financial, Inc. and its subsidiaries and affiliates may be found elsewhere herein and Brighthouse Financial, Inc.'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 Financial, Inc.'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.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIGHTHOUSE FINANCIAL, INC.

By:		/s/ Edward A. Spehar
	Name:	Edward A. Spehar
	Title:	Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Date: May 10, 2021

Exhibit 31.1

CERTIFICATIONS

I, Eric T. Steigerwalt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brighthouse Financial, Inc.;

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 10, 2021

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Edward A. Spehar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brighthouse Financial, Inc.;

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 10, 2021

/s/ Edward A. Spehar

Edward A. Spehar

Executive Vice President and Chief Financial Officer

Exhibit 32.1

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 Financial, Inc.'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 Financial, Inc.

Date: May 10, 2021

/s/ Eric T. Steigerwalt
Eric T. Steigerwalt
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 Financial, Inc. (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.

Exhibit 32.2

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 Financial, Inc.'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 Financial, Inc.

Date: May 10, 2021

/s/ Edward A. Spehar

Edward A. Spehar

Executive 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 Financial, Inc. (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.