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BHF.OQ - Q1 2024 Brighthouse Financial Inc Earnings Call

EVENT DATE/TIME: MAY 08, 2024 / 12:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Brighthouse Financial's First Quarter 2024 Earnings Conference Call. My name is Norma, and I'll be your coordinator today. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

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

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

Thank you, and good morning. Welcome to Brighthouse Financial's First Quarter 2024 Earnings Call. Material for today's call were released last night and can be found on the Investor Relations section of our website. We encourage you to review all of these materials.

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

Before we begin, I'd like to note that our discussion during this call may include forward-looking statements within the meaning of the federal securities laws. Brighthouse Financial's actual results may differ materially from the results anticipated in the forward-looking statements as a result of risks and uncertainties described from time-to-time in Brighthouse Financial's filings with the SEC.

Information discussed on today's call speaks only as of today, May 8, 2024. The company undertakes no obligation to update any information discussed on today's call. During this call, we will be discussing certain financial measures that are not based on generally accepted accounting principles, also known as non-GAAP measures. Reconciliations of these non-GAAP measures on a historical basis to the most directly comparable GAAP measures and related definitions may be found in our earnings release, slide presentation and financial supplement.

And finally, references to statutory results, including certain statutory-based measures used by management are preliminary due to the timing of the filing of the statutory statement.

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

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

Thank you, Dana. Good morning, and thank you to everyone for joining today's call. Brighthouse Financial's first quarter results demonstrate the steady execution of our strategy. During the quarter, we maintained a strong balance sheet, continued to focus on executing our growth strategy and sustained a disciplined approach to expense management.

As you've heard us say in the past, the strength of our balance sheet is essential to support our distribution franchise, and we continue to focus on prudent financial and risk management. We ended the first quarter with $1.3 billion of liquid assets at the holding company and an estimated risk-based capital or RBC ratio between 415% and 435%, which is in the middle of our target range of 400% to 450% in normal markets.

Our strong RBC ratio and robust holding company liquid assets support our ability to consistently return capital to shareholders through our common stock repurchase program. In the first quarter of 2024, we returned $62 million of capital to shareholders through repurchases of our common stock. Since we began our common stock repurchase program in 2018 through the first quarter of 2024, we have reduced shares outstanding by just short of 50%. We remain committed to returning capital to our shareholders and through May 3, have repurchased an additional $27 million of common stock.

Now I would like to take a moment to talk about the success of our distribution franchise. The execution of our growth strategy is focused on providing a complementary suite of annuity and life insurance products, designed to help people achieve financial security. I am very pleased with our first quarter 2024 annuity sales especially with the continued steady growth in our Shield annuity product suite as we remain a leader in the registered index-linked annuity or RILA market.

Our total Shield annuity sales were $1.9 billion for the first quarter of 2024, a 2% increase sequentially and a 20% increase compared with the first quarter of 2023. Additionally, we are very pleased with our fixed indexed annuity or FIA sales with $191 million of total FIA sales in the first quarter, driven by our SecureKey product. As I mentioned on our fourth quarter call, in November of 2023, we launched our new FIA, Secure Key, expanding our distribution footprint in the fixed indexed annuity market.

Fixed deferred annuities were also a strong driver of total annuity sales in the first quarter with $637 million of sales. This is down from the fourth quarter of 2023 as expected. Overall, our annuity sales totaled $2.9 billion in the first quarter, an increase of 5% sequentially and 3% compared with the first quarter of 2023.

These strong annuity sales results demonstrate the strength and complementary nature of Brighthouse Financial's annuity product portfolio. First quarter annuity net outflows were approximately $1.5 billion. As we discussed last quarter, annuity outflows were elevated in 2023, given the interest rate environment coupled with business coming out of the surrender charge period.

And we expected elevated surrenders in 2024. That was the case for the first quarter with outflows in line with the fourth quarter of 2023, partially offset by continued strong annuity sales. Over the last several years, the combination of our steady annuity sales growth and the outflows of legacy business has led to a meaningful shift in our business mix away from the legacy block of higher capital-intensive business to more spread-based, less capital-intensive business.

On an account value basis, spread-based business made up roughly 15% of our annuity product mix in 2016 and approximately 40% at the end of 2023 and is expected to make up approximately 55% by the end of 2027. In the past, we have talked about our Shield business as a natural offset to the equity risk on our legacy VA business. With the growth we have seen with Shield sales, which has helped drive the significant shift in business mix, we have now achieved a point of balance for equity market risk.

This demonstrates the success of our core strategy to diversify away from our legacy block of business.

Turning to life insurance sales. We continue to see steady sales in our life insurance product suite with $29 million in the first quarter a 26% increase compared with the first quarter of 2023. Overall, our first quarter sales results were a strong start to the year, and I am especially pleased that on April 24, we joined BlackRock in announcing that BlackRock's LifePath Paycheck is now available in defined contribution plans.

LifePath Paycheck offers U.S. workers an opportunity to access a guaranteed income stream in retirement. This solution is a target date strategy that will, over time, include an allocation to innovative annuity contracts to be issued by Brighthouse Financial and another selected insurer. This is a significant breakthrough for the industry, and it's exciting to see plan participants already beginning to take advantage of this solution.

As I mentioned last quarter, BlackRock is currently working with 14 plan sponsors to implement LifePath Paycheck as an investment option for their employees defined contribution plan. These 14 plan sponsors with plans totaling $27 billion in target date assets are planning to make this solution available to over 500,000 employees. As a company whose mission is to help people achieve financial security, Brighthouse is pleased to assist even more Americans with preparing for retirement through LifePath Paycheck, and we are excited to work with BlackRock on this solution.

In supporting our distribution franchise, along with our focus on balance sheet strength, we recognize that maintaining a disciplined approach to expense management is extremely important. Our corporate expenses in the first quarter of 2024 were $207 million on a pretax basis, which was down 1% compared with the first quarter of 2023 and down 15% sequentially.

First quarter expenses are typically lower, driven by seasonality. However, with our continued commitment to controlling expenses and realizing efficiency gains, we do expect 2024 full year corporate expenses to be lower than 2023. We remain committed to executing on our growth strategy with continued growth in our Shield product suite an expanded presence in the fixed indexed annuity market and our entrance into the worksite channel through working with BlackRock on its LifePath Paycheck solution.

Our focus remains on balance sheet strength and controlling expenses, and we continue to return capital to shareholders, supported by our strong RBC ratio and robust holding company liquid assets.

I will now turn the call over to Ed to discuss our first quarter financial results in some more detail.

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

Thank you, Eric, and good morning, everyone. After the market closed yesterday, Brighthouse Financial reported results for the first quarter of 2024, including preliminary statutory metrics. Through the first quarter of 2024 Brighthouse Financial maintained a strong statutory balance sheet and robust liquidity position.

The company also reported adjusted earnings less notable items, in line with our expectations for the quarter. Starting with preliminary statutory results. Combined total adjusted capital, or TAC, was $6 billion as of March 31, 2024, and approximately $300 million reduction from year-end 2023. The primary driver of the decrease in TAC was the impact from a reinsurance premium rate increase retroactive to September 2019, which resulted from the conclusion of a reinsurance arbitration.

This rate increase is associated with the legacy block of life insurance, and there was no statutory reserve impact from this item. Moving to normalized statutory earnings. The first quarter results reflect a $250 million to $300 million benefit from a 50 basis point increase in the prescribed 20-year treasury yield mean reversion point or MRP. This benefit was largely offset by normal fluctuations in quarterly results, which, as we have said in the past, can be plus or minus a couple of hundred million dollars.

A key source of variability this quarter was actual to expected changes in our in-force annuity book. Keep in mind that small variations from quarter-to-quarter associated with an approximately $125 billion block of business can have a magnified impact on results. We have also started to see a negative impact on normalized statutory earnings associated with growth.

In recent years, growth has largely been funded outside of normalized statutory earnings in the form of higher required capital associated with business risk. More recently, we are seeing the growth in Shield annuities reduced normalized statutory earnings as our Shield business is now consuming capital, which contrasts with providing a capital offset to the equity risk associated with our in-force VA block as has been the case historically.

The impact of this shift has been more pronounced than we originally anticipated, partially as a result of significant growth in Shield annuities. As Eric mentioned, Shield sales increased 20% quarter-over-quarter. This development highlights the success of our core strategy to diversify away from our legacy block of variable annuities or VA.

Capital consumption for Shield reflects that we are now close to a delta neutral position on equities, meaning market movements that benefit VA are adverse for Shield and vice versa. As a reminder, the life insurance industry is a business where you commit meaningful capital upfront to generate cash in the future.

As we have said in the past, we are focused on generating more consistent long-term statutory free cash flows. A substantial increase in interest rate hedges in 2022 was a significant step towards narrowing the range of outcomes under different market scenarios. And we believe our balanced exposure to equities today is another step toward more predictable results over the long term.

At March 31, our estimated combined risk-based capital or RBC ratio was between 415% and 435%, which is the middle of our target range of 400% to 450% in normal markets. The impact for a reduction in CAC was mostly offset by a benefit in required capital associated with lower new business risk charges for fixed annuities.

Our liquidity position remains robust with holding company liquid assets of $1.3 billion as of March 31. I would also remind you that the non-dividend flows to the holding company cover most of our fixed charges, and we do not have any debt maturities until 2027.

Moving to adjusted earnings results. The first quarter adjusted loss was $98 million, which compares with adjusted earnings of $177 million in the fourth quarter of 2023 and adjusted earnings of $195 million in the first quarter of 2023. The adjusted loss in the first quarter of 2024 includes a $366 million unfavorable notable item or $5.81 per diluted share entirely related to the reinsurance premium rate increase retroactive to September 2019.

And the related reserve increase from the impact of the higher premium rate over the expected life of the block of business. As with any reinsurance rate increase, we evaluate the option of recapturing the business versus accepting the price increase. In this case, we determined to accept the rate increase.

Excluding the impact of the notable item, adjusted earnings were $268 million or $4.25 per share, which is consistent with our expectations for the quarter. The alternative investment yield was 2.3% in the quarter are consistent with our long-term annual return assumption of 9% to 11%. Alternative investment returns in the quarter were the primary driver of the sequential increase in net investment income.

The underwriting margin was in line with our expectations for the quarter, however, net claims were higher compared with the fourth quarter of 2023 as there is seasonality in direct claims. Additionally, corporate expenses were lower sequentially, mainly driven by seasonality.

Turning to the sequential results by segment. Adjusted earnings, excluding notable items in the Annuity segment were $313 million in the quarter. Sequentially, annuity results reflect higher fees driven by variable annuity separate account returns of 5.96% along with higher fees, expenses were lower sequentially, which was partially offset by lower net investment income.

The Life segment reported adjusted earnings, excluding notable items, of $37 million in the quarter. On a sequential basis, results reflect a higher underwriting margin, higher net investment income and lower expenses. The Run-off segment reported an adjusted loss of $48 million, which was relatively flat on a sequential basis.

Higher net investment income was offset by a lower underwriting margin. Corporate and Other had an adjusted loss, excluding notable items of $34 million. On a sequential basis, results were driven by a lower tax benefit.

In conclusion, we continue to focus on diversifying away from our legacy business and generating more predictable statutory free cash flow over the long term. While we have reduced the range of outcomes associated with movements in equity markets and interest rates, we still anticipate near-term volatility in results.

However, we believe that our strong balance sheet and robust liquidity position continue to support the consistent return of capital to shareholders. With that, we would like to turn the call over to the operator for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from the line of Suneet Kamath with Jefferies.

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

Ed, in your prepared remarks, you talked about some actual to expected impacts in the annuity business that affected regulatory capital. Can you just provide a little bit more color in terms of what happened in the quarter?

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

Sure. So I also mentioned in my remarks that we're talking about a $125 billion block of annuity business. So you will have fluctuations between expected in-force and actual in-force in every quarter. And it will be driven by mortality withdrawals, annuitizations.

And again, you don't need to have much of a deviation for it to matter for earnings. We spent a lot of time working on attributions and analyzing results versus expectations. For example, you've heard us talk about basis risk in the past as an item that was notable. There are many factors quarter -- in every quarter that move around. And in this quarter, this was the 1 that was notable to point out.

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

Got it. Okay. And then I guess on the growth in Shield and now you're sort of more of an equity market neutral situation. Is that going to impact those distributable earnings scenarios that you typically give us in the spring?

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

Let me start with some of the things that I said in prepared remarks and then expand a little bit. We have experienced Shield sales growth that's been better than our expectations. And this has exerted some pressure on norm stat earnings.

And now that Shield is a capital consumer, I would say that we are moving into a new phase for how we manage this product. So as a reminder, historically, we have managed VA risk and Shield together, and that has been beneficial to us from a capital standpoint as well as from a risk management standpoint. Now that we are in this delta neutral position for equities, we see an opportunity to modify our hedging approach for Shield.

And specifically, what we are planning on doing going forward is managing Shield on a stand-alone basis versus mixing with VA and that will entail purchasing a basket of options that will directly offset the guarantee that we are selling in the product. So we will see a change in how we manage this, which we think is going to be beneficial for us going forward.

And just specifically on the cash flows, there's a lot of work, as you know, that goes into providing those numbers. And there are a lot of factors that move things plus and minus. And so I don't think it's appropriate to give any indication of those numbers until it's time for us to disclose them again.

Operator

Our next question will come from the line of Tom Gallagher with Evercore ISI.

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

First question, just on the reinsurance arbitration. Ed, as you alluded to, historically, you've done more recaptures and they've been maybe modest charges. This 1 was a lot larger. Was there something unique to this? Or is it possible we'll see some other larger settlements as you think about your overall docket for various arbitrations, any perspective you can give on that.

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

Good morning, Tom. So this was different from the standpoint of it's a retroactive premium rate increase because we have been involved in a dispute around this specific contract. So you're looking back at 4.5 years' worth of premium rate increases, and that's the reason that this is sizable relative to the stuff we've had in the past. And if you look, we've had 7 instances of reinsurers coming to us with rate increases.

And we have chosen to recapture in 6 of those instances, and we decided to take the rate increase in this case.

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

And anything beyond as you think about other situations, that we might see something directionally similar over the next couple of years? Or do you feel like this was unique and kind of a one-off.

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

I feel like it is different from the standpoint of it was a multiple year dispute that was resolved and therefore, the size was material. I think if you look at our book of business, which is really, I think, the question you're trying to get at here, we have had very little changes to our mortality assumptions over the years.

So every year, we go through a deep analysis of all of our critical actuarial assumptions, which you know we do in the third quarter. And every year, we're looking at our actual experience versus what we had assumed for mortality, and we've had very little change associated with that. So I don't believe that this is indicative of anything to do with our overall book of business.

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

Tom, it's Eric. I'll just jump in for a second, too, maybe to wrap this up. It was a pretty unique situation, as Ed said. In my mind here, going forward, with respect to the concept of what you're talking about, it's business as usual. Hopefully, that's helpful to try to distinguish the difference.

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

That is -- I appreciate that guys. And just 1 final follow-up on the question about how you were describing managing Shield differently and how you're going to do more stand-alone hedging. Considering that it sounds like your costs will be going up just through stand-alone purchase of hedges. But is that something that you may need to change pricing on as a result, if you are going to make this change? Can you help us think through what that kind of means through a broader lens.

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

Sure. I'll start out and maybe David will have some follow-up. If we look at our pricing, we are already assuming that we are hedging shield in the fashion that I am talking about going forward. So that's already assumed in how we price the business. But I'm going to give it to David to give some more details on pricing.

David Alan Rosenbaum - *Brighthouse Financial, Inc. - Head of Product Strategy and Pricing*

Tom, just maybe a couple of comments here. You've heard Ed say before many times that we manage the company across a multi-scenario multiyear view, and that approach applies to our pricing of new products as well. And we talked a little bit about the tremendous growth that we've seen in Shield over time, and that was 2% of account value back in 2016 and was around 26% at the end of the quarter.

So we have maintained our pricing discipline during that period of growth and are comfortable with the economics of the business that we have written and are writing -- and just to kind of wrap up, as I mentioned, we have always looked at pricing Shield on a stand-alone basis, so this will not change that.

Operator

Our next question will come from the line of Elyse Greenspan with Wells Fargo.

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

My first one, I guess, Ed, you were talking about this distributable earnings earlier. Is the plan still to provide them I don't -- actually, I don't know if you have told us a specific time frame, would it be, I guess, kind of in line with September when they were disclosed last year.

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

Good morning, Elyse. So I would -- we haven't determined when we're going to do it yet. But I would remind you that last year was a bit of an off cycle time for the release of distributable earnings. We had a number of things that were going on related to LDTI, I remember, I think I talked about that.

There were a number of things that -- moving to all of our in-house modeling versus some external modeling that we had been using. And so, that's why we did it in September. If you recall, prior to that, we had been doing it in March of the year. So just to point that out. We haven't made a decision yet, but last year was a little bit different from a timing standpoint.

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

Okay. And then you typically talk about kind of a 5-point strain on RBC from new business. I know different in the Q1 just given the lower charges on the fixed annuity business. So how would you think -- should we still use that same kind of rule of thumb of kind of 5 points a quarter going forward?

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

Yes. So on the 5 points a quarter, as you correctly note, we have said that you will see the first quarter be actually beneficial to capital because of the timing of the business risk charge, which will roll off at the end of each year and then it grows over time.

And so we would assume that you will be using capital beyond the 5 points everything else being equal, but everything else is not always equal. I mean, obviously have to consider what is the level of fixed sales in 1 year versus another because that's going to be the key driver of that business risk chart. So sales levels will be important for fixed when you think about that.

In terms of the amount of strain that we're seeing now starting to emerge in our normalized statutory earnings. Again, I would say we're in the process of making this change in hedging. And I don't really think it's time to talk about the specifics of what we're seeing that's coming through norm stat earnings. So for now, I think you would stick with the what I've given you is sort of the outlook for capital strain associated with the business that comes directly through the denominator of the RBC ratio.

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

But Elyse, it's Eric. Look, we have no intention of slowing down sales here with respect to Shield. And of course, as you heard me discuss LifePath Paycheck, is going to be coming online throughout the year. Just to give you a little sense, though, in the second quarter, you will see a small amount of FRA sales. So it will be down a fair amount. David, do you want to comment on that?

David Alan Rosenbaum - *Brighthouse Financial, Inc. - Head of Product Strategy and Pricing*

Sure. So Elyse, we do manage fixed-rate annuities and the FIA -- fixed index annuity business together. And as Eric mentioned, we do expect really lower sales and fixed rate annuities this year relative to last year. And more specifically, this quarter relative to the first quarter we expect it to be lower the second quarter versus the first quarter. And really, that is as we are transitioning reinsurers for our FRA business. So that is really the driver of why we expect sales to be lower in the second quarter.

Operator

Our next question comes from the line of Wes Carmichael with Autonomous Research.

Wesley Collin Carmichael - *Autonomous Research US LP - Senior Analyst*

On the reinsurance impact, I think you mentioned there was no impact on statutory reserves, but was there a statutory impact related to the retroactive nature of that item?

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

Yes, it was $187 million for stat.

Wesley Collin Carmichael - *Autonomous Research US LP - Senior Analyst*

And just on annuity surrenders in VA and Shield, you mentioned they picked up sequentially. You talked about that a little bit in prepared remarks, but should we think about this as kind of being more of a run rate level in 2024, I think, outflows and in that bucket, we're about $3.8 billion in the quarter?

David Alan Rosenbaum - *Brighthouse Financial, Inc. - Head of Product Strategy and Pricing*

Wes, this is David. So one of the things that Eric had commented on in his prepared remarks and then we talked about really, on the last earnings call is that we expected the elevated surrender activity that we saw in 2023 to continue in 2024 and albeit with a different mix, and we're seeing that. So with respect to kind of the total outflows, they were flat compared to the last quarter and up over the first quarter given full surrenders of VA and Shield really on a higher account and higher average balance given equity market performance.

So when we think about it kind of on a sequential basis, so versus the fourth quarter, the majority of that is driven by VA. We do see quarter-to-quarter volatility, and we saw that in the quarter driving higher outflows. We also had the higher account balances and a slight increase in Shield.

Overall, outflows are weighted to VA and we do continue to benefit from outflows of the capital-intensive legacy blocks. And with respect to the comments we made a minute ago on fixed-rate annuity sales, that could have an impact on sort of driving overall net flows in the second quarter higher.

Operator

Our next question comes from the line of Wilma Burdis with Raymond James.

Wilma Carter Jackson Burdis - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Could you just talk a little bit about the products that were impacted by the reinsurance repricing?

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

Wilma. Yes, so we had -- it was UL, VUL, primarily ULSG to the lesser extent.

Operator

Our next question comes from the line of Ryan Krueger with KBW.

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

A couple of companies had COI litigation outcomes in the first quarter. I'm not sure, if that was a coincidence or something broader is going on. So just curious if you have anything outstanding there.

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

Ryan, it's Eric. If you look at the 10-K from '23, you can see that we have 2 things in there on COIs. But our situation is a little different from what you've probably seen previously. We have not raised COI rates on any class of policyholders.

And so the 2 Brighthouse COI litigations are not based on allegations that Brighthouse raised COI rates on a class of policyholders. So it's a little different than what you've seen in at least some of the other cases. The disclosures identify these 2 COI litigations, but they are not related to COI rate increases.

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

Okay. That's helpful. And then on the LifePath Paycheck, anything you can do to frame the potential size, I guess, when you think about the $27 billion of eligible AUM, I guess would you anticipate like a low single-digit allocation to annuities to start? Or anything you can do to frame that?

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

Ryan, you can't believe how much I would love to frame that. But I'm going to -- we're just going to take it step by step. We are extremely excited about this. As you see, we got the first money in here in April, and you're going to see more coming through as companies adopt LifePath Paycheck in their 401(k) plan.

And then we start to get the allocation from those folks who are 55 and older buying income units from the 2 carriers. So I think what we'll do is over this year, we're going to start to be able to give some sense of what it looks like and then hopefully be able to give a sense of what it might look like going forward. I'm going to wait until later in the year, but I will just say we are very excited. This has been a long time coming, and it's an exciting development for all of us.

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

Will you report those in the Annuity segment? Or where will that come through?

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

Yes, we will.

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

So just very quickly, if I could follow up on Wilma's question because I want to clarify the breakdown that I was providing you was as a percentage or relative to our reinsurance in force for those various categories.

So if you're looking specifically at this contract, this was more ULSG than it was UL and VUL, but as a percentage of our total reinsured book, it's the other way around.

Operator

(Operator Instructions) Our next question will come from the line of Jimmy Bhullar from JPMorgan.

Jamminder Singh Bhullar - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Ed, can you talk about the DOL rule and if you expect any impact on your business from that to the extent you can give us any details or color?

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

Jimmy, it's Eric. Look, you've heard a lot about this now all the way back to the previous situation a number of years ago. I think companies are still trying to figure out exactly what it will mean. But we're working with all of our distributors on what to do here, what we think might happen.

We don't really have any sense with respect to a sales hit. But -- look, we've got the NAIC suitability. It's called suitability and annuities transactions model out there. It's been adopted by 45 states. It is designed to protect consumers. You've heard this before. So generally, we share the concerns of many in the industry regarding the potential impact here even with respect to just regulation that is not necessary. So it's hard to quantify any sales potential sales hit.

I would say that it would be fair to think that a number of companies are going to have higher compliance costs, et cetera, et cetera. But I can't really quantify it. And I can tell you, for the time being, sales are strong. So we'll have to see how this plays out in future months, but that's about all I can really tell you.

Jamminder Singh Bhullar - *JPMorgan Chase & Co, Research Division - Senior Analyst*

And then on the reinsurance, the price increase, should we assume a modestly negative impact on future GAAP and stat income and I'm not sure, if you're able to quantify what it would be?

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

Jimmy, it's Ed. I have said that normal run rate EPS for us is something around north of $4, $4. You saw this quarter, if you adjusted for the notables, it was 4.25%, which we said was in line with our expectations. This price increase does not change any of the outlook I've given in terms of what the normal run rate would be for GAAP earnings.

It does have a negative impact because you're paying more. But in terms of significance it's not going to change my view on what the run rate earnings for the company are.

Jamminder Singh Bhullar - *JPMorgan Chase & Co, Research Division - Senior Analyst*

There's something in the division, but it gets absorbed sort of, I guess, not major enough to move the overall needle on overall EPS, right?

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

Correct.

Jamminder Singh Bhullar - *JPMorgan Chase & Co, Research Division - Senior Analyst*

And then if I could just ask 1 more. On the Shield product, you've obviously grown pretty fast over time and many of your peers have as well. How is that market overall in terms of terms, conditions, attractiveness from your standpoint? And the reason I'm asking is a lot of other companies have similar products. So are you seeing fairly rational and disciplined competition? Or are there some companies that have come in that are trying to sort of offer better terms and conditions just to gain share?

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

Jimmy, maybe I'll start and then Myles, you're going to jump in, correct. Look, this market has grown really well. You probably heard Myles say, I know you've heard Myles say, over the last couple of years, that we welcome the competition because it has grown the market, and this is a good product for consumers and it's a good product for manufacturers.

I think it's still rational. We don't see situations where we just can't understand. And we continue to grow very nicely even as we enter the second quarter here. So we want to keep growing this business here at Brighthouse, certainly. Myles, any additional conversation you want to make?

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

I guess what I would say, Eric, is I agree, I believe competition has been appropriate. And we think it's a good thing for advisers and consumers. I think it certainly has had some impact on sales. But overall, I think the category is strong, and it is growing.

From our perspective, we remain very pleased with sales -- the first quarter is 1 of our best quarters yet as it relates to overall Shield sales. We like the competitiveness of our product, and we continue to round out our offering with things like Shield Level Pay Plus and a new crediting strategy that we offered last year, which was Step Rate Edge.

So we like our competitive positioning and we like where the category is at overall.

Operator

This concludes our Q&A session. I will now turn the call back to Dana Amante for closing remarks.

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

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

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a wonderful day.
